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ECONOMIC POLICY, ORGANIZATION, AND MANAGEMENT

POLITICAL ECONOMY OF THE UNIFIED NATIONAL ECONOMIC COMPLEX

Moscow EKONOMICHESKIYE NAUKI in Russian No 5, May 80 pp 19-28

[Article by G. Sazontov, candidate of economic sciences: "On the Politic-Economic Aspects of the Country's Unified National Economic Complex"]

[Text] One of the principal achievements of the Soviet people, now set down by the new USSR Constitution, is the creation of a unified national economic complex in our country. This achievement of world-historical importance is the result to be expected from planned economic development, which is characterized by a manifold growth of the scale of production and a restructuring of industry, agriculture and other sectors on the basis of the most refined technology, one that embodies the most recent results of the scientific-technical revolution. It is extremely important to emphasize that that kind of development has been possible only in the context of the undivided prevalence of public ownership of the means of production, which makes it possible on a permanent and consistent basis to orient social production as a whole toward raising the material and cultural standard of living of the people. Thus the problems of both the creation and also the functioning of the USSR's unified national economic complex are basically problems in political economy. Only the optimum solutions, solutions based on the Marxist-Leninist science of political economy, open up the way to plotting and following the numerous specific directions for strengthening and perfecting the national economic complex. Only solid reliance on an analysis of the processes taking place at the economic base of society will impart to all these specific directions a unity of essence and purpose.

The unified national economic complex is an extremely broad and complicated economic formation. It embraces the following: all phases of social reproduction on the scale of the country as a whole--production, distribution, exchange and consumption; all sectors of the economy, i.e., both the production and nonproductive spheres; all the regional parts of the country's economy--the economic complexes of the economic regions and of the union and autonomous republics. The units of the national economic complex we have indicated are unified by firm mutual economic connections and are developing on a democratic basis in accordance with a single centralized plan in the interest of the entire country and of each republic individually. At the macrolevel the country's agroindustrial complex (and still more these complexes at the microlevel) and regional industrial complexes, which are taking shape in ever greater number, fit organically into the unified national economic complex. The interaction and unidirectionality of all the elements of the USSR national economic complex, differing in their scale and character as a function of their purpose, are ensured by the planned development of the entire economy, which comes about through socialist production relations.

Without setting ourselves here the very complicated and large-scale task of expounding all the political-economic aspects of the national economic complex, we will limit ourselves to an examination of only three problems which in our view have key importance. First we will discuss the methodological questions related to discovering the principal objective prerequisites for the formation and historical place of the national economic complex in the overall development of the economy; second, we will take up certain basic features and peculiarities of the country's national economic complex from the standpoint of political economy; and third, we will take this same approach in turning to certain basic problems in realizing the existing capabilities of the national economic complex and of improving it further.

The first of the problems mentioned here is one which we suppose to be a problem pertaining primarily to a particular stage in the socialization of production, i.e., of the process which signifies that "relations among producers are becoming stronger and stronger, the producers are moving into closer association to form a unified whole."[1] The material foundation for formation of the unified national economic complex consists of the productive forces at a level of maturity where the constant interaction of all the elements of the economy at the national level becomes a vitally important necessity and mandatory condition for further development of production. If the national economic complex is to exist as a truly unified complex, i.e., if it is to be directed from a single economic center that embodies the objective interests of the entire society, there will have to be production relations that offer full room to the progress of social production, corresponding to the highly developed productive forces. The specific conclusion from this is that the task of creating a unified national economic complex is irresoluble for capitalism.

These conditions are fundamental and obligatory for formation of any unified national economic complex. The level of maturity of these conditions, the specific measure required for it to be said that such a complex has been coming into being. evidently display certain differences resulting from each country's course of socioeconomic development, differences which are not fundamental in their nature. Any socialist country can form a national economic complex only as the sum total of interacting and relatively separate and local complexes--structural, sectoral and regional. That is why the extent to which those complexes are developing in the same direction is so important. The smaller the differentiation among them in this sense, the faster, other conditions being equal, the unified national economic complex can take shape.

It is well known that in our country this differentiation has been extremely great: the tremendous differences in levels of economic and socioeconomic development of different areas, including even ethnic regions, the unevenness in the level of development of the industrial sector and of its more progressive industries, differences from the technical standpoint, differences in the concentration of production, and so on. Likewise the production relations of advanced capitalism coexisted with relations characterizing the capitalism of the period of its emergence, and in many quite extensive areas--with precapitalist relations, which were not merely existing, but within the given local limits held steady dominance. It is quite understandable, then, that under our country's conditions the shaping of a unified national economic complex has taken several decades, especially since the USSR happened to be the first to clear the way toward socialism and toward the stage of its maturity, overcoming tremendous difficulties, including the fascist aggression. It is also quite understandable that when the real historical conditions are given their due, this time for the creation of the unified national economic complex must be acknowledged as extremely brief, a period of time embodying the high level of heroism of the Soviet workers, led by the CPSU.

On the basis of what we have said it is legitimate to suppose that among the other socialist states which did not have precapitalist relations preserved on a substantial scale and which are characterized by the absence of acute structural and regional disproportions in economic development, the process of shaping the unified national economic complex requires less time than in the USSR. Moreover, this process should also take a shorter historical period in those foreign countries which have begun construction of socialism in a context in which precapitalist forms of economy were widespread. The main reason here is the comprehensive aid of the USSR and the other countries of the socialist commonwealth and the existence of the very rich historical experience of the construction of communism, which is accessible to everyone who really wants to make use of it.

Thus the shaping of a country's unified economic complex, functioning according to the laws of socialism, is one of the most important structural criteria of the first phase of communism. In view of all this there seems good reason to suppose that the final completion of the shaping of the unified national economic complex is one of the features--and a very important one--of society's attainment of the stage of mature socialism. It therefore follows that until that stage is reached, it would seem early yet to speak of the unified national economic complex having taken full shape, when we bear in mind that it involves not only a certain state of the productive forces, but also a level of maturity of the production relations where we can speak of the development of socialism entirely on its own foundation. Only such a development ensures that high degree of conformity to plan, balance in the economy and elimination of disproportions that makes it possible for the entire national economy to function as a complex unified internally and in all its manifestations, as a complex that is directly subordinated to the role of higher prosperity of the people on the basis of rising production efficiency and quality of performance.

The process of building the national economic complex is always a process of utilizing the relevant objective prerequisites. Collectivism and comradely cooperation, the universality of labor, conformity to plan and comprehensiveness in the conduct of economic activity, the equality and friendship of the nationalities, and the unity of their goals and interests--these embody the essence of the new phenomena, the objective prerequisites without which the complex cannot be formed on the scale of the entire country. But the mere existence of the objective prerequisites is still not sufficient for creation of the foundations of the national economic complex. Subjective factors capable of effecting utilization of those prerequisites are absolutely necessary. A purposive creative force based on the knowledge of objective laws and taking into account the country's real capabilities and resources is needed. The party of the working class--the Communist Party, which enlists in its ranks the best representatives of all the working masses, is such a force.

V. I. Lenin saw in party leadership a pledge of the unity of politics and economics. Affirmation of the leading role of the CPSU in economic construction is one of the decisive factors in building the country's national economic complex. As the recognized leader of the party, V. I. Lenin deserves the historical credit for having begun the practical realization of the objective prerequisites that have taken shape. From the first days of Soviet power V. I. Lenin fought vigorously to build the new system of management of the economy. On the initiative and under the leadership of V. I. Lenin the General Planning Commission (Gosplan) was created in 1922 to organize planned administration of the economy. V. I. Lenin also developed the theory of planned management of the socialist economy, in which Lenin's idea of the single national economic plan played a central role.

In close unity with development of theory of planned management of the economy V. I. Lenin set the task of optimum location of the productive forces under socialism on the scale of the entire society and worked out the pioneering ideas and principles of socialist location of the productive forces. V. I. Lenin pointed out that "... capitalism deliberately separates the strata of the population from one another. This disunification must disappear once and for all and irrecoverably, and all society must be transformed into a single worker cooperative."[2] V. I. Lenin emphasized that "... the communist economic formation will inevitably be a nationwide trade union, a single office, a single factory."[3] Lenin's ideas of building the unified national economic complex of socialist society has been reflected in the methodology and methods of compiling state plans, beginning with the GOELRO [State Commission for Electrification of Russia] plan, which has outstanding significance.

The nationality question has had an extremely important place in our country in connection with the historical conditions of presocialist development. In conformity with Leninist nationality policy the accelerated economic, cultural and sociopolitical development of the national regions has been one of the most important principles of nationwide planning and location of the productive forces. The 10th congress of our party had already recorded in its resolution: "Now ... the task of the party is to help the working masses of the non-Great Russian peoples to catch up with central Russia, which has moved out ahead." Indeed one of the directives of the congress in this context was "planned planting of industry in the areas of the nationalities by moving factories to the sources of their raw materials."[4]

Now that mature socialist society actually does exist in our country, thanks to fruitful implementation of Lenin's nationality policy all the union republics have a multisector advanced economy. Every union republic has its place in the all-union division of labor and is making its constantly growing contribution to the economic development of the entire country. This is conducive to further elaboration of socialist division of labor and to reinforcement of the production-economic relations in the national economy. For example, products from 96 industries in other union republics are now used in the material production of Kazakh SSR. Kazakhstan in turn shares in creating the products of 74 industries of the fraternal republics. Moldavian SSR receives products from 93 industries in 14 republics and sends them the products of 72 industries. There is a countless multitude of similar examples. They demonstrate that all the components of social socialist production in the country, the economy of every republic and the multifarious sectoral, intersectoral and regional complexes have now become interrelated component parts of the country's single national economic whole. "The economy of the Soviet Union," Comrade L. I. Brezhnev noted, "is not merely the sum total of the economies of the individual republics and oblasts. It has long since become a unified economic organism shaped on the basis of general economic patterns and the goals and interests of all the nationalities and ethnic minorities."[5] The USSR economy is now operating in the context of advanced socialism as a unified national economic complex, one which ensures ever fuller satisfaction of the material and spiritual needs of the Soviet people on the basis of growing production efficiency and rising quality of performance. This achievement of socialism has been set forth in the USSR Constitution, where (in Article 16) it is stated: "The USSR economy constitutes a single national economic complex embracing all components of social production, distribution and exchange over the entire territory of the country."

The presentation of the first of the topics to be taken up in this article obviously makes it possible to draw the following conclusion: the birth and development of the all-union economy as a single national economic complex in the USSR constitutes an objective historical process which is being purposefully regulated by the CPSU and the Soviet state in accordance with the patterns of development of Soviet society on the basis of cooperation of the labor of the peoples of our country and all-union production and regional specialization.

As for the second question we have set ourselves here, we believe we can identify the following typical features of the national economic complex of the USSR.

1. It is being built on the sound foundation of socialist ownership of the means of production, which has become the economic basis for the unification of the republics into the all-union state and of the creation of the single national economic organism. Public ownership transforms administration and planning into a nationwide function. Improving public ownership of the means of production in every aspect and gradually bringing together and ultimately merging public ownership and kolkhoz-cooperative ownership--this is the internal logic of development of this most important feature of the country's national economic complex.

2. The country's national economic complex is developing according to plan. The structure of the national economic complex and its development are determined by the fact that each of its component parts is included in the system of the single nationwide plan, which is structured in sectoral and regional breakdowns on the principle of democratic centralism. The economic system of mature socialism necessitates a further strengthening of planning principles in management of the economy.

3. There exists the diversely developed and multisectoral structure of the national economic complex, which is based on large-scale machine production and is characterized by a steady rise in the share of the industrial sector and an increase in the relative share of those industries which determine technical progress. Concentration, centralization, specialization and cooperation are developing extensively on the scale of the entire nation.

4. The unified national economic complex is inseparably bound up with optimum location of the productive forces on the basis of the equalization achieved in the levels of economic development of republics and regions. Within the framework of that principle all-union specialization of the republics, which is governed by the patterns of regional division of labor, is being supplemented more and more by comprehensive development of their economies.

5. The USSR national economic complex is not functioning in isolation from external conditions. The USSR is an integral part of the world socialist system, and its national economic complex is actively involved in the process of socialist economic integration and also of the international division of labor.

6. The growth of the country's national economic complex is dynamic and occurring at stable rates.

These features reflect what we feel to be the most important attributes characterizing the nature of the unified national economic complex and the essence of its functioning. At the same time it is obviously necessary to identify those particular attributes which are inherent in the unified national economic complex under present conditions because of their specific content. Such attributes might be referred to as particular features.

We believe the most important particular feature inherent in the unified national economic complex in connection with the specific nature of the present stage of advanced socialism to be the scale of production, which has grown immeasurably over the previous scale, and the greater complexity of the interrelations in production as the transition is made from predominantly extensive to mainly intensive expanded reproduction.

Another particular feature inherent in the unified national economic complex is the fact that now it is not only possible, but is indeed unconditionally necessary to solve production and social problems in close conjunction with one another in the context of the thorough change of direction the economy is to take toward solving the many-faceted problems related to raising the prosperity of the people. For a number of reasons we did not previously have the full capacity to do this--above all because in the earlier stages of socialism the level of development of production was not adequate for comprehensive solution of these major problems.

The future development of the unified national economic complex which has taken shape is inseparably bound up with the process now taking place of unifying the achievements of the scientific-technical revolution with the advantages of the socialist economic system. This combination makes it possible to steadily improve both the material and technical base of the economy and also the social form of its functioning, which serves in turn as a decisive factor in the progress of engineering and technology. Attainment of the fullest possible proportionality in carrying out the scientific-technical revolution both from one region to another and also from one sector of the economy to another is becoming one of the most urgent problems. In this connection it must not be overlooked that revolutionary changes in technology cannot be accomplished simultaneously and uniformly in all the components of social production. Moreover, society does not even have an interest in that kind of uniformity, since the harmony of the national economic complex by no means denies, but on the contrary even presupposes the existence of certain industries, forms of production, and regions which at any given moment should be given priority in growth rates. Maintaining proportionality in realizing the achievements of the scientific-technical revolution, then, does not mean a universal leveling of everything and everyone in scientific-technical development, but the extremely complicated result of a complete and creative reckoning of the interaction of all the elements of the unified national economic complex under the given specific engineering-technological and socioeconomic conditions.

Finally, we should note one other important peculiarity of the unified national economic complex of advanced socialist society. It consists of the constant expansion, more considerable than ever before, of the mutual relations and economic cooperation among all the republics and other parts of the unified economic organism both in the sphere of material production and also in the domains of science and culture.

The third key question which we are taking up here is related to the political-economic problems of further improvement of the unified national economic complex. The question might arise: Once this complex has wholly and entirely taken shape in advanced socialist society, what objective need is there for that kind of improvement? In answering this question in its most general form, we must refer above all to the need to solve the long-range programmatic social problems in development of socialist society. Here we are referring specifically to such very important problems as full satisfaction of the reasonable needs of all the members of society and the gradual transition to the communist principle of distribution; the erasing of class lines and correction of substantial differences between urban and rural areas and between mental and physical labor; transforming work into a primary vital need; the shaping of the new man, the member of communist society.

A number of fundamental problems also arise in connection with development of the productive forces: attainment of the highest productivity of labor and raising the efficiency of material production. It is understandable that these and similar problems are by no means enclosed within the system of the productive forces, but rather they have great socioeconomic importance.

In defining the directions of the further improvement of the unified national economic complex we must consistently achieve its ever greater industrialization: industrial production is most efficient, and the building and then also the functioning of the material and technical base of communism are inseparably bound up with it. The decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" has extremely great importance in this kind of improvement. It has outlined a fundamentally new approach to planning. Continuity and full comprehensiveness of planning, combined with enhancement of the role of the multiannual orientation of planning, have been ensured in the unified and interconnected system of plans.

Solving the problems of improving the national economic complex cannot, of course, be assigned solely to the future, not even the very immediate future. A very substantial role is played here by the 10th Five-Year Plan, which is now coming to an end and during which important changes have taken place in national economic, intersector and regional proportions. Against the background of a general higher rate of growth of heavy industry, industries which have paramount importance to reequipping production will develop at preferential rates: the electric power industry, machinebuilding, and the chemical and petrochemical industries. Their share in the total volume of the industrial sector should reach 41 percent in 1980 as against 36 percent in 1975 and 31 percent in 1970. Profound structural shifts are also being carried out within industries themselves.

To illustrate we will refer to development of the fuel and power complex. In the 10th Five-Year Plan it was envisaged that in addition to solving the long-range problem of increasing the share of petroleum and gas in the total extraction of fuel (the share in 1975 was 55 percent as against 19.7 percent in 1950) another fundamentally important problem would be solved: the use of petroleum and gas primarily as raw materials for thorough chemical processing and obtaining a large range of products displaying efficiency in consumption. At the same time plans were laid to restrict the use of petroleum and gas as fuels, increasing the use of solid fuels (especially coal) and nuclear fuels for these purposes. An extensive program for construction of nuclear and thermal (mainly using coal as a fuel) power stations was accordingly envisaged during the 5-year period.

The use of hydro resources is given a substantial place in development of the fuel and power complex, as in the past. During the 5-year period 14 major hydroelectric power stations will be built. The logic of development of the national economic complex as a unified whole necessitates the building of ever larger GES and hydro generating units, the construction of cascade GES and comprehensive solution of the problem of generating electric power and at the same time irrigating the land, supplying water to the city, developing navigation and fishing, and preventing floods.

One of the distinguishing features of the current 5-year period is the substantial redistribution of accumulation to the advantage of agriculture. This also pursues the goal of maximum optimization of national economic and sectoral proportions. As much as 40 percent of all capital investments--more than ever before--are being spent to meet the needs of developing the country's agroindustrial complex in the current 5-year period.

The problem of further socialization of production occupies a special place in the economic strategy of the CPSU over the 10th Five-Year Plan and in the long-range perspective. In spite of obvious success achieved in this regard, the present level of socialization of production is still insufficient to serve as the basis for full maturity of such determining traits of the communist mode of production as social ownership and universal cooperation of labor. Under present conditions the socialization of production is directly reflected in intensification of integrative processes in the organizational structure of production in the national economy. In this context the formation of various intersector, regional-industrial and scientific-technical complexes is taking on ever greater importance. Integration of science and production is becoming one of the most important characteristics of socialization in the stage of mature socialism. The large production, scientific-production and industrial associations now being created, which are capable of efficiently carrying out the process of expanded reproduction, have become specific forms for carrying on the process of socialization of production. While noting the progressiveness and high efficiency of the creation and functioning of associations of the various types, we need to emphasize those aspects of the associations which tend directly to increase the maturity and integrity of the country's national economic complex and to improve it. The expansion and strengthening of straight connections, directly social connections, above all between the enterprises and organizations which make up an association, among the associations themselves, and also between the latter and central economic authorities, is a most important socioeconomic result of the associations.

In accordance with the instructions of the 24th and 25th CPSU congresses, at the beginning of 1979 3,857 production and scientific-production associations had been created in our country. These associations were made up of 17,100 production units and 572 scientific research institutes and project planning and design organizations. The work force of these associations comprises more than one-third of the country's industrial production personnel proper; and they account for 46.2 percent of the total volume of industrial output. But the pace at which the associations are being created is still lagging somewhat behind the assignments set by the "Main Lines of Development of the USSR National Economy in the Period 1976-1980." In the decree of the CPSU Central Committee and USSR Council of Ministers adopted 12 July 1979 the task was set of completing the formation of production associations in the industrial sector over the next 2 or 3 years. It is deemed indispensable to step up this kind of effort in capital construction and other sectors as well.

In the context of scientific-technical progress and the mass demand for high quality products it is clear that a further socialization of production necessarily presupposes more elaborate specialization in all sectors of the economy. From that standpoint as well the creation of associations is also playing an important progressive role, since it is opening up large new possibilities for the specialization and concentration of production.

Further improvement of the unified national economic complex is unthinkable without raising to a still higher level the entire system of planned relations in the advanced socialist economy. Relations based on conformity to plan reflect the character of the relation between producers and consumers that is specific to the communist formation. These relations are manifested in the balance of social and personal needs with the respective resources. Achievement of this kind of balance specifically presupposes that on the one hand there must be greater reliability of operation of every unit and on the other the establishment of lasting connections, stabilization and reinforcement of those connections, and improvement of the entire system of relations between economic entities in the system of the social division of labor both from the sectoral and regional standpoints.

Here again an important role is to be played by improvement of planned management of the economy. The decree of the CPSU Central Committee and USSR Council of Ministers dated 12 July 1979 has defined a broad system of measures in that direction. To be specific, it is provided that in drafting plans and assessing their fulfillment satisfaction of social needs is to be put into the first place. In order to eliminate cases of imbalance, balances are to be worked out as a part of 5-year plans. In order to ensure stability of the plans for economic and social development of the USSR, physical reserves are to be created. Another fundamentally new aspect is that 5-year plans will include not only physical balances for the consolidated products list, but also plans governing their distribution among principal dispersing organizations. The linkage of plans with physical resources at the level of enterprises and associations is to be achieved by concluding 5-year business contracts between manufacturing enterprises and consuming enterprises. At the same time consumers are being given broader opportunities to have an impact on the shaping of production plans.

Changes in the location of the productive forces are playing a large role in achieving high successes in development of the unified national economic complex during the 10th Five-Year Plan. As before the country's eastern regions, especially Siberia, are developing at faster rates. This is one of the paramount tasks set by the 25th CPSU Congress. The trip which Comrade L. I. Brezhnev made to these regions is indicative of the unremitting attention the party is paying to solving the problems of Siberia and the Far East; very valuable recommendations and desires were expressed during that trip; on the basis of the results of that trip a decree was adopted by the CPSU Central Committee, the Presidium of the USSR Supreme Soviet, and the USSR Council of Ministers which outlines additional measures pertaining to the key problems and main lines of economic and social development of that extensive region of our country. Along with Siberia, Kazakhstan, Moldavia, Belorussia and the republics of the Transcaucasus are developing their industrial sector at accelerated rates during the 10th Five-Year Plan.

Specialization of the economies of the union republics is being further elaborated, and those types of industrial and agricultural production in which each republic and each region is specializing are receiving emphasis in development.

By contrast with the eastern regions, where a large number of new industrial projects are being built, development of industry in the European part of the USSR and in the Urals is now taking place primarily through retooling and reconstruction of existing enterprises. In this area the course of locating branches and specialized facilities of the large production associations in medium-sized and small cities which have manpower resources not employed in socialized production, a course that has justified itself, will continue to be followed. The development of cities is characterized by the consistent orientation toward further restriction of the excessive growth of the largest centers throughout the country. This policy is based not only on economic considerations, but also to a considerable degree on social considerations--on the need for gradual convergence of the standard of living of all groups of the population, on the impermissibility of excessive crowding of people in a small area, on the creation of favorable conditions for the labor and domestic and everyday life of the urban population. All this helps to raise the level of the regional organization of the productive forces.

In the 10th Five-Year Plan the further strengthening of the unified national economic complex has been closely bound up with the more extensive creation and thorough development of regional industrial complexes. This is making it possible to concentrate resources along the key lines of development and to effectively solve many intersector and regional problems, closely linking them to one another in time and space, to qualitatively alter the appearance of the individual regions and to ensure that new regions rich in raw materials and fuels enter the orbit of economic life. Developing and raising the level of activity of regional industrial complexes constitute one of the most effective means of solving the most important economic problems of better linkage between the regional and sectoral aspects of planning.

The importance of the transportation factor as the vascular system of the unified national economic complex has been growing immeasurably. We will refer in this connection to just one fact, but a fact of great weight: as much as 70 percent of the production apparatus is located in the European part of the USSR, while almost the same proportion of prospected reserves of natural resources are located in the eastern part of the country. At the same time efforts to improve the Soviet Union's transportation system have an extremely important role to play in improving the national economic complex.

On the whole this improvement is characterized by a comprehensive and ubiquitous strengthening of integrative processes. It takes place on a firm and planned foundation and reflects the general movement of socialist society along the road to communism. The growth of integrative relations will unquestionably be manifested more and more not only in the domestic economy, but also in the foreign economic sphere within the limits of the world socialist commonwealth.

FOOTNOTES

1. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 1, p 177.

2. Ibid., Vol 37, p 346.

3. Ibid., Vol 33, p 101.

4. "KPSS v resolyutsiyakh i resheniyakh s"yezdov, konferentsiy i plenumov TsK" [The CPSU in Resolutions and Decisions of Congresses, Conferences and Plenums of the Central Committee], Moscow, 1954, Part 2, pp 252, 253.

5. L. I. Brezhnev, "O pyatidesyatiletii Soyuza Sovetskikh Sotsialisticheskikh Respublik" [On the 50th Anniversary of the Union of Soviet Socialist Republics], Moscow, 1972, p 20.

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PLANNING AND PLAN IMPLEMENTATION

MINISTRIES, DEPARTMENTS ADVISED TO IMPROVE NORM SYSTEMS

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 80 pp 51-58

[Article by G. Pokarayev, deputy chief of a division of USSR Gosplan, entitled "On the Incorporation of a Single System of Optimal Norms and Standards into the Planning Process"]

> [Text] Our journal has often discussed questions concerning norms and standards, experience in applying them, and unresolved problems in creating a normative planning base.
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> In conjunction with the decree of the CPSU Central Committee and the Council of Ministers USSR of 12 July 1979, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," USSR Gosplan recently reviewed the system developed for optimal technical and economic norms and standards according to types of work and expenditures of labor, raw and other materials and fuel and energy resources; standards for utilizing production capacities and relative capital investments; and norms and standards for determining the demand for equipment and cable items. It also approved a schedule for their development and acceptance.
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> Given below is an article by G. Pokarayev, which sets forth the basic principles upon which the system of Norms and Standards is based.

As is well known, an increase in the efficiency of social production depends on a broad implementation of the achievements of science and technology, on improving sector and territorial production patterns, and on improving methods of administration and operation. A. N. Kosygin says as follows: "A characteristic feature of the party's present economic policy is its orientation toward the fullest use of the country's powerful economic, scientific and technical potential and toward an overall increase in the efficiency of social production and in the quality of work as a whole."

One of the ways of achieving this goal is an efficient and effective use of labor and material resources, capital investments, working capital and production capacities. On the one hand, norms and standards for outlays of resources emerge here as an extremely important instrument that provides the conditions for systematizing the formulation of a measure for the necessary production expenditures; and on the other hand, they serve as indicators by means of which the achievements of scientific and technical progress are reflected in planning quotas.

In other words, a normalized outlay of resources, by serving as a measure for necessary production expenditures, makes it possible to produce the required volume and variety (pattern) of output (production) and creates premises for insuring the correct proportions from specific sectors and from the national economy as a whole. Scientifically founded optimal outlay norms provide the basis for making our plans well balanced, and an adherence to these norms is one of the guarantees that the plans will be fulfilled.

The decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality," stipulated that the quality of planning must be raised to a new level, primarily through introducing a system of scientifically based technical and economic norms and standards, with the goals of increasing the validity, proportionality and balanced nature of the plans and increasing the efficiency of social production.

The planning agencies, ministries and departments have amassed a certain experience in developing and applying individual norms and standards for the outlay of labor, material and financial resources in their planning calculations. For example, norms and standards are employed for planning the allocation and use of raw and other materials, fuel, and thermal and electric energy in production and construction. State plans for economic and social development establish quotas for an average lowering of the norms for the expenditure of the more important types of these resources in production. Norms for the expenditure of boiler fuel, thermal and electric energy, gasoline and diesel fuel are being approved. Construction ministries are being given instructions to economize on ferrous-metal rolling, cement and lumber. A basic schedule has been worked out for reviewing the norms for maintenance and operational needs and for reserve stocks in the construction industry.

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* A. Kosygin, "The Road to Efficiency--a Vital Link in the Party's Economic Policy," PLANOVOYE KHOZYAYSTVO, No 7, 1979, p 6.

Norms for the requirements of equipment, roller bearings, and cable items are being drafted for the five-year period and are being presented in detail for the next planning year. Norms for the more important types of equipment are being formulated on a five-year basis, both for the national economy as a whole and for its various sectors. Norms for equipment stocks in capital construction and a number of other norms and standards for planning the allocation of equipment and cable items are also being drafted.

Various standards for the input and reimbursement of labor based on its quantity and quality are being applied in industry. In addition to this, an indicator is being established in machine-building enterprises and certain other sectors of industry based on time (output) norms. It is an indicator of the technological intensiveness of labor in the production of goods and includes the labor input of the key production workers. This indicator is being used to validate calculations of the magnitude of these categories of workers per section, shop and other services and subdivisions of an enterprise. For other categories of industrial production personnel in enterprises of all sectors of the economy, state schedules, administrative structures, labor reimbursement systems and bonus-payment policies serve as a normative base for planning the number of workers and size of wage fund needed. At the present time the work of more than 80 percent of the key and 60 percent of the auxiliary workers in industrial enterprises is covered by labor standards of various types. On the other hand, these norms and standards are not used in planning labor indicators on the level of ministries, departments, union republic Gosplans and USSR Gosplan. The application of a normative method in planning labor indicators is hindered by the absence of norms for labor input and wages per unit of output for the various administrative levels.

The normative planning base for capital construction includes norms for the entire duration of project planning and construction; standards for relative capital investments and for work in progress in sectors of the national economy and individual enterprises, buildings and installations; and also indicators for the technological structure of capital investments. These indicators are being developed by the Scientific Research Institutes of USSR Gosstroy and of USSR Gosplan with input as required from the sector institutes of the ministries and departments. A number of standards are being drafted and adopted by the ministries and departments of the USSR with the consent of USSR Gosplan.

Standards which to a certain degree regulate the level of expenditures of resources on capital construction are being drafted by USSR Gosstroy which, in accordance with the tasks assigned to it, approves estimated norms, regulations, instructions, directives, technical standards and other normative documents dealing with construction and plan preparation, price handbooks for assembling equipment, uniform regional estimates for basic construction and assembly projects and norms for developing building machines and devices. A considerable number of other groups of norms and standards, such as those for financial resources and monetary (gross) expenditures on production, planning projects etc. are also used in national economic planning.

However, at present there is no uniform system for technical and economic norms and standards that embraces all levels of planning. There are many reasons for this. The main ones are as follows:

There is a lack of uniform organizational principles for carrying out norms and standards projects of various types with USSR Gosplan, the ministries and departments of the USSR, the Gosplans of the union republics and the associations and enterprises; there is also a great diversity in the structure, subordination and functions of their subdivisions that deal with preparing norms and standards. Such subdivisons often do not exist at all, or else they are poorly staffed.

There are varying degrees of systematically guaranteeing projects for calculating and analyzing material, labor and financial norms and standards, since there is inadequate coordination of activity in this area on the part of USSR Gosplan, USSR Gossnab, USSR Gosstroy, the USSR Ministry of Finance (Minfin), the USSR State Committee for Labor and Wages (Goskomtrud), the State Committee of the USSR Council of Ministers for Science and Technology (GKNT) and their scientific-research organizations.

Insufficient attention is given by the ministries and departments of the USSR and Gosplans of the union republics to formulating and systematically updating the normative planning base, which reflects the achievements of scientific and technical progress, and to analyzing and controlling normative information.

The state accounting apparatus has an incomplete picture of how norms and standards are to be fulfilled, and in addition it does not function adequately.

In carrying out the resoultion of the 25th CPSU Congress and the decree of the CPSU Central Committee and USSR Council of Ministers of 12 July 1979, USSR Gosplan adopted the decree of 11 January 1980 "On a System of Optimal Technical and Economic Norms and Standards and on Ways to Incorporate it into the Planning Process," which was prepared jointly with the ministries and departments of the USSR and the Gosplans of the union republics. The decree stipulates the composition of the norms and standards, which include six groups of norms and standards in addition to the norms and standards for the expenditures (economy) of labor, raw and other materials, and fuel and energy resources and the standards for utilizing production capacities and relative capital investments which were provided by the above-mentioned decree of the CPSU Central Committee and the USSR Council of Ministers. These six other groups include norms and standards for the efficiency of social production, financial resources, capital (gross) expenditures on the production of experiment and cable items, the preservation of the environment and also social and economic norms and standards.

An expansion of the body of norms and standards was brought about in order to guarantee an interrelationship between them and the efficiency indicators of social production and to increase the validity of their calculation. This permits annual and long-range plans for the social and economic development of the USSR to more fully reflect measures from the overall program for scientific and technical progress, data from prognoses for the development of the sectors, and indicators of plans for the technical development and organization of production.

The following proposals are stipulated in the System of Optimal Technical and Economic Norms and Standards: to establish them for both current and long-range plans on all levels of planning; to improve the methodological principles and systematic guarantee of the norm-creating process; to exercise stricter control over the norms being approved by the ministries and departments by checking the quality of the more important norms; and to create conditions for an overall analysis based on normative information about trends to economize resources of various types in order to find the best possible ways to increase the efficiency of their utilization. The norms and standards to be worked out and used in preparing the draft for the 11th Five-Year Plan for the economic and social development of the USSR are treated separately in the decree.

The ministries and departments of the USSR and the Gosplans of the union republics have been assigned the task of improving the organization and intensifying the work on guaranteeing the reliability of norms and standards and on updating them as required. One of the basic requirements of the system under discussion is the formulation of a normative base within the framework of the Automated System for Planning Estimates (ASPR) being created, the Sectorial Automated Systems for Planning and Administration (OASU), and the Automated Administrative Systems of the Associations and Enterprises (ASUP).

The designation of the system as a set of scientifically based norms and standards broken down according to resource type and including a schedule and methods for developing, updating and utilizing them and an organized plan for preparing and supervising them on all levels of planning, also provides for the formulation of principles for constructing the system, itself. The main such principles are as follows: a uniformity in the systematic principles for calculating norms and standards of various types and a guarantee of their high quality, based on a reflection in the norms and standards of the projected achievements of scientific and technical progress and advanced methods for organizing production and labor; the overall formulation of a normative base for all sections of the plan (production, material balances and allocation plans, labor and personnel, capital investments etc.); a guarantee of the comparability of the norms and standards established at the various planning levels.

The development of projects based on the System of Norms and Standards approved by USSR Gosplan ought to aim at gradually including all of the resources utilized in the national economy and should take place in stages, in accordance with the development of projects of the Automated System for Planning Estimates (ASPR).

The introduction of the System of Norms and Standards first and foremost necessitates the resolution of a set of complex organization problems, both in USSR Gosplan and in the ministries, departments, Gosplans of the union republics, associations and enterprises. For example, the USSR Gosplan must work out a schedule for reviewing the norms and standards of the the system that are being proposed by the ministries and departments of the USSR and by the Gosplans of the union republics. The divisions of USSR Gosplan responsible for reviewing norms and standards, the technological sequence for transmitting normative information, and to the application of norms and standards and the resources of the Main Computer Center GVTs) of USSR Gosplan in the planning calculations are being determined. A system has been established for transmitting normative information among the divisions of USSR Gosplan in order to assure the coordination of norms and standards with one another, as well as with other indicators of the plan. A system for formulating resource conservation indicators has also been established. Requirements have been defined for the work of the Scientific Research Institute for Planning and Standards of USSR Gosplan in preparing necessary materials that might be used in the divisions of USSR Gosplan and might guarantee the optimal quality of norms and standards. Essential changes in the organization of projects to establish norms for resources will have to be made in the ministries, departments and Gosplans of the union republics, which must determine what subdivisons are responsible for coordinating and systematically guaranteeing the norm projects being carried out by the respective functioning administrative bodies. Analogous service groups should be formed in the associations and enterprises. This is particularly important inasmuch as such subdivisions would be responsible not only for preparing the norms and standards included in the system but for introducing them as well.

In every ministry and department, organizations of leadership must be selected from the sector Scientific Research Institutes to systematically direct the work connected with the creation of the System of Norms and Standards as a whole and also to prepare individual groups of norms and standards. In achieving this, changes must be made in the existing system, where only the sector Scientific Research Institutes were actually involved in formulating the normative information presented to the USSR Gosplan. Now such work will be done under the leadership of the ministries with the participation of its representatives.

The measures enumerated above and other measures connected with developing and introducing the System of Norms and Standards must be included in the sector (departmental) overall plans for projects to improve the norm-setting process for the period 1981-1985, the preparation of which has been stipulated in the above-mentioned decree of USSR Gosplan. For the sake of objectivity, one must emphasize that the execution of these measures requires an assurance of additional personnel, insofar as in many ministries, departments, and Gosplans of the union republics and in USSR Gosplan projects for formulating norms and standards have been combined, as a rule, with other planning activities, insufficient separate specialized subdivisions have been created, and in a number of departments they do not exist at all.

The need to develop uniform methodological principles for formulating a normative planning base and establish a proper system in this matter which would allow for a systematic review of instructional and methodological documents and the use of them in calculating norms and standards requires that these documents be concentrated in one of the USSR Gosplan institutes. The Scientific Research Institute for Planning and Standards of USSR Gosplan has been designated as such an institute and has been assigned the following tasks: to work out methodological principles for formulating norms and a systematic guarantee of the System of Norms and Standards in the national economy; to draw up model (intersectorial) documents on methods for creating and improving the norms and standards of labor, material and financial resources included in the system and used by USSR Gosplan in planning; to make an appraisal of the aggregate of norms and standards being developed by the ministries and departments and make a selective analysis of the scientific validity of the more important individual norms and standards in order to detect reserves from conserving resources in the sectors of the national economy and industry; and to prepare recommendations for making the optimal use of resources in the national economy and suggestions for indicators regarding the conservation of these resources based on a study of the achievements of science and technology.

The completion of these tasks will require an essential change in the directions of the institute's research, a restructuring of its work and the organization of new subdivisions, a transfer to it of papers on methodological questions concerning planning from other institutes of USSR Gosplan and, most important, an effort to make its scientific projects more closely approximate the practical tasks of planning and to increase the efficiency of the use of resources with the help of optimal technical and economic norms and standards.

One of the most important conditions for the process of creating a normative planning base and for guaranteeing that it will be possible to use it in planning calculations is the creation of nomenclature for the norms and standards geared to the types of resources. These, in turn, should be coordinated with the nomenclature of products of the plan for the national economy and with the system of balances for material and labor resources and production capacities and of financial and other types of balances. In this process the nomenclature for norms and standards will be broken down by planning and production levels, and the formulation of names for the various items that make up the norms and standards should be based on design, technological and other documents that regulate the production process in its initial stage.

It is suggested that in the future a single set of nomenclature be created for norms and standards so that the requirements of the system for comparing and coordinating expenditures on each product reproduced according to the set of resources used might be realized. This would provide for a better coordination of balances among the material and physical, cost, and general economic indicators of the plan or, in other words, among the resources of labor, the objects of labor and living labor.

In order to assure a connection between the norms and standards and the efficiency indicators for social production, the system stipulates that indicators for the conservation of resources by category be formulated as resultant indicators obtained through lowering the norms and standards. These indicators should be determined for a long-range period as well as for a year and should reflect the measures for cutailing resource expenditures that were stipulated by the overall program for scientific and technical progress, by the prognoses for the development of the sectors, and by plans for their technical development and organization of production.

The diagrams provided by the system for guaranteeing an interconnection among norms and standards for the outlay (expenditure) of resources per unit of output (type of work) and the coordination of indicators for resource conservation with efficiency indicators for social production are to be improved and might undergo essential changes as the system is being developed and incorporated into the planning calculations. This is directly dependent on the transition toward formulating natural norms and standards that is contemplated for the future and applies to the expression of cost as well. As a result, the coordination of the natural, natural-cost, and cost sections of the plan can be assured and, consequently, work can be intensified on the overall evaluation of the utilization of resources, the selection of the most efficient ways to solve various economic problems, and on determining which expenditures on production are essential and valid.

The strengthening of the role of the five-year plan as the main form of planning the economic and social development of the country and as the basis for organizing economic activity increases the demands for creating five-year norms and standards as one of the contributing factors in making the plan indicators more balanced and in developing a system of balance calculations. Norms and standards for a five-year period should encompass planning projections for the development of science and technology and take into account measures for goal-oriented overall programs both for conserving resources and for developing a system of administration and organiation of production.

A policy for the optimal and economic utilization of all types of resources should be realized through the norms and standards, with consideration given to possible limitations on the reproduction of these resources, At the same time, it would be erroneous to gear the norms and standards to present resources, since such normative indicators might create the illusion of apparent prosperity by assuring the national economy of resources and might lessen the attention given to creating systematic measures for reproducing them. In our opinion, these and other situations must be taken into account in preparing systematic documents for calculating norms and standards for five-year and longer periods. The norms and standards should be prepared simultaneously with the plan for production, science and technology and capital construction, and with other sections of the plan for the development of enterprises, associations and sectors.

Questions concerning a systematic guarantee of projects for formulating resource norms are very significant for the systematic implementation of an analytic accounting method for formulating norms and standards. It is important to guarantee a uniform approach in creating a normative planning base at the very beginning stage of the introduction of the system, and for this reason the ministries and departments should be provided with the appropriate guidelines.

In addition, one must bear in mind that the incorporation of the System of Norms and Standards into the planning calculations will require not only a regulation of the resources of normative information within USSR Gosplan, the ministries and the departments, but also a frequent increase in the quantity of this information. Naturally, the efficient use of computer technology becomes particularly significant under such conditions. In this regard, a precise program must be devised for organizing the collection, storing, analysis and supervision of technical and economic norms and standards, beginning with the enterprise and ending with USSR Gosplan.

In principle such a task is handled within the framework of the Automated System for Collecting, Accumulating and Updating Norms and Standards (ASN), which is being planned and introduced and is a part of the Automated System for Planning Calculations (ASPR). However, it is the above-mentioned projects regarding norms for the outlay of material resources and the demand for equipment and cable items that have been developed the most highly. In the very near future, not only will a number of methodological questions need to be resolved with respect to their types of norms and standards, but an interrelationship will also have to be guaranteed between the blocs of the subsystem ASN and the subsystems that utilize norms and standards as calculation indicators. The ministries, departments and Gosplans of the union republics will also have to start forming sector and republic "archives of norms and standards." On the basis of the normative information amassed in these "archives," the norms and standards and dynamics of their change should be analyzed, their fulfillment should be monitored, and the actual and planned normative indicators for the outlay of resources should also be compared.

During the course of the norms analysis both USSR Gosplan and the ministries and departments will review their norm-forming components, that is the technical and technological factors and organizational conditions that influence the size of the normative indicators. The results of the norms analysis will be considered in developing measures to improve the quality of goods produced and curtail expenditures for their production. However, experience shows that this has not been organized in the best way. The subdivisions of the enterprises and ministries that are responsible for working out appropriate norms and standards often only record the level of the norm sizes achieved or analyze norms in isolation from other subdivisions responsible for the technical level and organization of production.

The work being done in the Scientific Research Institute for Planning and Standards of USSR Gosplan must also be intensified significantly so that the reserves from the conservation of resources revealed through norms analysis, on the one hand, might be utilized in the planning calculations and, on the other, might spur on the activity of the ministries and departments and their scientific research organizations. An analysis of the norms and standards must be regarded as one of the basis ways to assure their high quality.

The tightening of supervision over the adherence to norms and standards pre-supposes the adoption of measures to improve the initial estimate and accounting, a more widespread implementation of the normative calculation method in the enterprises and associations, and a comparison of the planned and actual expenditures on material, labor and financial resources. Along with this, departmental and state accounting should be improved to conform to the premises of the System of Norms and Standards. It is a question of preparing coordinated proposals for regulating state and departmental accounting, since data for fulfilling norms and standards are often dispersed among various accounting forms and are not stated at all for a number of normative indicators. In our opinion, special forms are needed for supervising the fulfillment of all norms and standards, as exist for the norms for the outlay of material resources.

Naturally, the measures and project proposals enumerated here do not exhaust all of the tasks which must be completed in order to introduce the System of Norms and Standards approved by USSR Gosplan. Obviously, the first priority is to create organizational conditions for introducing it, to resolve a number of questions dealing with principles and methods for formulating a normative planning base, to assure a strict adherence to the requirements of the system, and also to continue to improve and develop it as more experience is gained so that the norms and standards might become a real instrument for planning work and might help increase the balanced nature of the plans and the efficiency of the utilization of material, labor and financial resources.

The great variety of the tasks to guarantee the introduction of the System of Norms and Standards requires a concerted effort on the part of USSR Gosplan, the ministries and departments of the USSR and the Gosplans of the union republics and a rigorous supervision on their part of the fulfillment of the requirements of the system by the subdepartmental organizations. This will facilitate a successful realization of the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality."

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INVESTMENT, PRICES, BUDGET AND FINANCE

EXPERTS REVIEWING WHOLESALE PRICE REVISION PROPOSALS

Importance of Price Formation

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 80 pp 29-32

[Article: "Price Setting--Important Part of Economic Management"]

[Text] The efficacy of measures for improving planning and material incentives in industry and construction largely depends on the economic validity of such an important factor of the economic mechanism as prices. Prices are at the basis of various value indicators, beginning with generalizing national-economic indicators (social product, national income, sectorial volume and proportions) and ending with operational indicators of associations, enterprises and economic organizations characterizing sizes of production, expenditures, production cost and profit. At the same time they serve first and foremost as a comprehensive national-economic norm on whose basis indicators of effective development of the economy at all levels are formed.

It is noted in the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Increasing the Action of the Economic Mechanism on Raising Efficiency of Production and Quality of Work" that the task is to raise the level of planning and management and to bring them into accord with the demands of the present stage--the stage of developed socialism. This demand likewise fully applies to price formation.

The most important and essential feature of price formation in the socialist economy is its planned character. This inevitably presupposes centralized management and the implementation of a unified state policy in the field of prices. The advantages of planned price formation can be most strikingly seen against the background of the unceasing inflation and growth of prices in the capitalist world.

In accordance with an instruction of General Secretary of the CPSU Central Committee, Chairman of the Presidium of the USSR Supreme Soviet L.I. Brezhnev the main direction in work on improvement of wholesale prices and rates in industry must be lowering of wholesale prices through the means of reduction of material and labor outlays on production, reduction of production cost and implementation of other measures aimed at achieving a high level of profitability and efficiency. The work in the field of price formation must be radically improved so that it becomes in fact one of the most important instruments of realization of the party's economic policy.

The existing system of wholesale prices in the national economy took shape in 1967, when prices were revised and new wholesale prices were introduced. Since then, they have basically remained unchanged in the fuel and raw material sectors of industry. In the machine-building and light industry, prices were revised in 1973, with account being taken of objective changes in expenditures on production output.

But the existing system of wholesale prices still does not fully reflect changes that have recently taken place in the industrial economy. They occurred first of all in the fuel and raw material sectors where following an increase in the relative share of the regions of Siberia and the North a significant change took place in the disposition of production of fuel, raw and other materials, which resulted in the growth of capital intensiveness, capital-output ratio and expenditures. A significant influence has been exerted on production cost by the deterioration of the natural geological conditions in the extraction of mineral wealth. Big changes have taken place in wages for separate sectors of industry. All this has resulted in such sectors as coal, logging, peat, heat-and-power production operating at a loss; profitability in oil recovery and the gas industry has been reduced; profitability in ferrous and nonferrous metallurgy and several other sectors is growing smaller.

In machine building, price-system imperfections are basically manifested in varying profitability of production output. At the same time, the correlation of profitability of obsolescent and newly introduced products frequently does not provide economic conditions for stimulating the development of new types of equipment and increasing their output. Thus, in the formation of prices for industrial products, problems have arisen which call for an improvement in the wholesale-price system.

In this connection, the USSR Council of Ministers adopted a decision on the revision of wholesale prices and rates in industry. The new wholesale prices will be introduced 1 January 1982. Price forming organs, ministries and departments must ensure the high quality of their economic validation. With this end, it is necessary to provide in prices targets for lowering production cost on the basis of wide-scale use of the achievements of science and technology, improvement of production and management, growth of labor productivity, the strictest economy of fuel-power and other material resources and also better use of fixed and working capital. Price-list developers must ensure careful verification of production-cost calculations, not allowing the inclusion of nonproduction expenditures and losses, raising of norms of expenditure of fuel-power and other material resources, as well as labor outlays.

In work on economic validation of new wholesale prices, it is necessary to provide for:

reinforcement of the economic interest of associations and enterprises in boosting efficiency of production and quality of products, rational utilization of labor, material and natural resources and reduction of outlays per unit of useful effect;

ensuring of economically valid relations of prices for interchangeable and comparable types of products, including for individual types of fuel-power resources and also for products of ferrous and nonferrous metallurgy, chemical and other sectors of industry;

fuller reflection in the cost of manufactured products of outlays for geological prospecting and reforestation work and expenditures for the social insurance of workers and employees;

creation of conditions for further improvement of cost accounting of associations and enterprises and fulfillment of plans for the product mix of manufactured products;

stimulation of expansion of output and renewal of assortment of consumer goods, especially for cultural and everyday use through fuller consideration in wholesale prices of quality and consumption properties of these goods and also valid outlays for their production.

The work of revision of wholesale prices should be coordinated with work on improvement of technical documentation and boosting of requirements relating to quality and technical level of manufactured items. This would require the timely revision of standards and technical conditions for products. The new price lists should not include products manufactured according to obsolete normative-technical documentation.

The new wholesale prices must provide fuller reflection of socially necessary outlays for the production of products. In a number of cases, this will require significant changes in price levels for sectors and subsectors of industry, especially lowering of prices for individual highly profitable groups of machines, equipment and instruments, as well as for certain types of chemical products. At the same time the wholesale price level should be raised in the fuel and raw-material sectors of industry where expenditures have recently growing due to the above-mentioned reasons.

Price forming organs, ministries and departments should, in addition to the revision of wholesale prices, carry out the big and important work of preparation and establishment of net production for their introduction in sectors of industry. The same attention should be given to the economic validation of these norms as to the validation of wholesale prices.

The work of revision of wholesale prices and rates in industry and on the establishment of net-production norms should be completed as quickly as possible. At the present time, it is going on in all ministries and departments, sectorial scientific-research institutes, associations and enterprises. Price forming organs have to provide precise coordination and supervision of all its stages.

Simultaneously with the revision of wholesale prices, price forming organs, ministries and departments should work for a radical improvement in the work of establishing wholesale prices for new products. Solution of the problem of bolstering the stimulating role of prices in speeding up technical progress must encompass all stages of creation of new equipment, beginning with the development of a projected target and ending with its series or mass production. It is essential that price becomes a kind of barrier in the way of production of inefficient or low-efficiency equipment. Prices should be more fully taken into account by planning organizations and design bureaus and also by enterprises in the process of their development and production of new types of products.

As before, one of the defects of technical improvement of production is the development and manufacture of low-efficiency types of products. This indicates that essentially new directions of technical progress that would be most effective in raising the productivity of introduced machines and equipment and lowering their production cost receive but weak development. Maximum growth of technical-economic parameters, especially boosting of productivity and reduction of materials intensiveness and production cost of newly introduced equipment constitute the chief indicators that should be used in the stimulation of technical progress.

At the July (1978) Plenum of the CPSU Central Committee, the practice of setting prices for manufactured products supplied to the countryside in connection of hiking of prices for new types of equipment, i.e., setting them without a proper consideration of economic efficacy was subjected to criticism. In an address at the plenum, L.I. Brezhnev noted that economic relations between sectors of the agroindustrial complex must be brought into accord with the principles of socialist management. Special attention should be directed to economic validation of prices, their more effective use as an effective factor of development and improvement of agricultural production. Pointing out the importance of solving the problem of improving the quality of agricultural products and their preservation, L.I. Brezhnev in a speech at the November (1979) Plenum of the CPSU Central Committee noted that prices must be determined to a much greater degree by quality.

The possibilities of price formation in stimulating improvement of production quality are still not being fully used. Reference is made to wider use of applying increases to wholesale prices of products that have been awarded the Seal of Quality and also of reducing prices of second-category products, which still have been little used up to now.

Price forming organs are given greater rights, and appropriate forms of stimulating improvement of quality of consumer goods have been determined for them: establishment of temporary prices for goods of improved quality, reductions of prices for goods not enjoying demand by the population. Stimulation of the production of higher quality goods is especially pertinent today when the demand of the population is not being fully satisfied first and foremost for these goods. But practice shows that economic factors, particularly prices, operate with low effectiveness. Many enterprises are weak in renewing their assortment; the relative share of output of goods of improved quality is not big; goods continue to be produced that are not in demand by the population. Price forming organs have to look into the reasons for the inadequate influence of prices on raising the quality of consumer goods being manufactured. At the same time, it is important to direct attention to a comprehensive use of prices and markups simultaneously with other forms of incentives in the general system of economic stimulation of production and to the effectiveness of setting prices for goods of improved quality and using markups and reductions.

It is important to develop measures for stimulating with prices the economical and rational use of raw and other material resources in the national economy. Of extreme importance to the solution of this problem is the creation in all sections (both planning and production) of interestedness in economy of metals and other materials and because of this--in reduction of production cost.

At the present time, in connection with the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Increasing the Action of the Economic Mechanism on Raising Efficiency of Production and Quality of Work" many questions of stimulation of technical progress, curtailment of outlays and boosting of efficiency have been solved. The decree outlines measures for strengthening the role of price markups and reductions in stimulating improved product quality and fuller reflection of the efforts of collectives in economizing material and labor outlays in the end results of their operational activity; a new procedure is provided for the use and accounting of money from a single fund for the development of science and technology aimed at compensating for increased expenditures relating to the adoption of new equipment. There is a need for the further development of new methodological and practical approaches to price formation in the solution of these important problems.

The Communist Party of the Soviet Union in its economic policy has always considered prices as a most important economic factor in the management of the national economy. From this stem the high requirements of this sector of economic management--the need for further raising the level of planned price formation in accordance with contemporary conditions of management.

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Improvement of Wholesale Prices

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[Article by A. Komin, doctor of economic sciences, deputy chairman of the USSR State Committee for Prices: "The Task of Improving Wholesale Prices and Rates in Industry"]

[Text] The Basic Directions of Development of the National Economy of the USSR for 1976-1980, approved by the 25th CPSU Congress provide for the "implementation of measures for the further improvement of wholesale prices and rates."[1] The existing price system in industry came into existence following the revision of prices in 1967 in connection with the accomplishment of economic reform. This price revision became an important factor in improving the methodology and practice of price formation.

First of all, there should be noted a new approach to the determination of profitability in wholesale prices. Its level in relation to production funds was set in the amount of 15 percent on the basis of the average norm for the national economy. Such a norm corresponded to the new principles of cost accounting. The size of profitability was differentiated for individual sectors depending on concrete economic features of forming of outlays and capital requirement per ruble of output. In the extractive sectors of industry, production cost reflected outlays for geological prospecting work. All this made it possible to significantly more fully take into account socially necessary outlays for production output in the new wholesale prices.

As a result, the wholesale price level in industry (while taking into account the turnover tax) rose 8.5 percent, including 15.9 percent in electric power, 80 percent in the coal industry, 46.6 percent in ferrous metallurgy, 16.8 percent in the timber and woodworking industry and 19.3 percent in the construction materials industry. It did not change in machine building.

The rise of wholesale prices in the fuel and raw-material sectors of heavy industry was due to the lack of profit of one of them and the low profitability of the others. Thus losses in the coal industry in 1965 comprised 17 percent of production funds, while profits in electric power amounted to only 4.6 percent, in ferrous metallurgy--8.6 percent, in the timber, woodworking and pulp and paper industry--6.9 percent, in the construction materials industry--5.4 percent. At the same time, profitability in industry amounted on the average to 13 percent, that is, it differed insignificantly from the average national-economic norm adopted for substantiation of prices. The low level of profitability of the fuel and raw-material complex was responsible for boosting the prices of the products of these sectors, which in turn affected the general level of wholesale prices in industry.

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[1] "Materialy XXV s"yezda KPSS" [Materials of the 25th CPSU Congress]. Moscow, Politizdat, 1978, p 173.

Immediately after the introduction of new wholesale prices in 1968, profitability increased in industry (in the amount of 20.1 percent of production funds, including 25.5 percent in the oil-extractive and oil-refining industry, 30.3 percent in the petrochemical industry and 21.2 percent in machine building). Such a situation is to be explained basically by the fact that in 1967 and 1968 a most significant reduction of production cost took place. Thus, during these years outlays per ruble of commodity production decreased in existing prices of the pertinent years 3.6 percent and in comparable prices--2.4 percent, including 5 percent in machine building and metalworking. Moreover, the high norms of profitability were affected by the fact that the price-list developers, in particular price forming organs, did not in a number of cases make the necessary demands on materials in relation to justification of outlays by the presented enterprises.

In 1969-1970 prices were reduced for individual highly profitable products of machine building in order to eliminate excessive sizes of profitability. But these corrections did not succeed in providing an appropriate interrelation between prices and changing expenditures going into the manufacture of products, especially in machine building and light industry. For this reason in 1973, wholesale prices in the aforesaid sectors were revised: their level in machine building and metalworking was lowered by 5.4 percent and was raised in light industry by 8 percent. The latter is to be explained by growth in the cost of procurement of agricultural raw material (cotton, wool, flax and the like) in connection with the rise in purchasing prices.

Wholesale prices for the products of the fuel and raw-material sectors have not been subject to steep changes since 1967. Prices were hiked for coking coal, iron ore, rolled products of ferrous metals and certain other kinds of products. Prices for energy coals, petroleum, gas, nonferrous metals, products of the timber and pulp-and-paper industry, the construction materials industry and rates for electric and thermal power remained unchanged.

As a result of the changes made since 1967, the level of wholesale prices (including the turnover tax) has dropped by 3.5 percent for industry as a whole and by 21.5 percent for machine building and metalworking. As we see, the lowering of the general price level is the result of reduction of prices in machine building. This graphically shows the advantages of our planned economy and planned price formation, especially against the background of growth of prices and inflation in the capitalist countries.

In 1978 profitability in industry amounted to 13.5 percent of production funds, that is, it significantly fell compared to the 1968 level (20.1 percent). This is to be primarily explained by a lower level of prices for products of machine building and also growth of costs in almost all of the sectors of the fuel and raw-material complex, especially since 1970. For example, while outlays in the Eighth Five-Year Plan (expressed in percent) per ruble of commodity production in electric power were reduced by 5.3 percent, in the Ninth Five-Year Plan, they increased by 2.6 percent, in the oil extractive industry--7.1 and 12.8 percent, respectively; in the gas industry they grew 2.1 and 32.9 percent, in the coal extractive industry--6.6 percent and 10.4 percent and in timber working--0.5 and 8.3 percent.

As a result, the level of profitability dropped sharply in the noted sectors. It was 19.2 percent in ferrous metallurgy in 1968 in terms of production funds and in 1978 only 10.7 percent; it was still lower in the sector without the effected rise of wholesale prices. In 1968, the timber, woodworking and pulp-and-paper industry had a profitability of 20.1 percent and in 1978--7.9 percent; corresponding indicators for the construction materials industry amounted to 14.2 and 6.4 percent. And such important sectors as the coal and logging industry and the production o: thermal power are at the present time operating at a loss.

The growth of costs in the fuel and raw-material sectors of industry is to be explained by objective reasons. Such a factor as deterioration of natural-geological conditions in the extractive industry is in effect almost everywhere. Moreover, the development of regions of Siberia and the Far North is connected with rising expenditures and the capital requirement per ruble of output. Moreover, since labor is most difficult in the extractive sectors, measures have been implemented more than once recently for the regulation of earnings of workers and employees. All these factors are at the basis of the rise in the production cost of extraction of oil, gas, iron ore and other minerals, and their influence could not be neutralized through improvements in equipment and technology.

Thus the existing wholesale-price system in industry has become obsolete both from the point of view of correspondence of the level of prices in a a number of fuel and raw-material sectors to cost of production and from positions of validity of price lists which have not been revised for seven or more years. In machine building and light industry, the products list of production output has been significantly renewed at this time as significant changes have occurred in expenditures on the production of individual varieties. The increased profitability of certain kinds and groups of products is not in the interest of stronger cost accounting or economy. All this requires a radical improvement of the system of prices and rates in industry. The new price system should better meet the aims of raising production efficiency, stimulating technical progress, improving production quality and rational utilization of material and raw-material resources in the national economy.

First of all, the revision of wholesale prices should ensure their better linkage to socially necessary outlays for production output. This will bring about significant changes in price levels in separate sectors and subsectors of industry. Wholesale prices must be reduced significantly for a number of highly profitable kinds and groups of products of machine building and chemical industry (synthetics resins, plastics, rubber, products of their processing, synthetic fibers, reagents and others). Those sectors (for example, the fuel and raw-material complex), which by virtues of objective reasons do not have this possibility, cannot in the immediate future overcome tendencies of growth of costs from their own reserves and ensure profitable work. Therefore for the purpose of eliminating unprofitability in the coal and timber procurement sectors and in the production of thermal power, it will be necessary to raise wholesale prices for coal by 42 percent, commercial timber--by 40 percent and rates for heat and power--by 70 percent. The higher prices for coal involves increases in prices for gas and oil. At the present time the correlation of levels of prices for coal, gas and oil constitutes on the average 1:0.9:1.1. It would be economically wrong for the levels of prices for gas and oil, which are more efficient forms of fuel to be maintained below the level of prices for coal.

Higher prices for fuel will effect outlays in power, ferrous and nonferrous metallurgy, construction materials industry. In addition, as was said above, the actual profitability of these sectors is below the norm and shows a tendency to become lower. All this also creates the necessity for raising the level of wholesale prices and rates. Thus, rates for electric power ought to be increased by 12 percent, the level of wholesale prices in ferrous metallurgy by 20 percent and in nonferrous metallurgy by 14 percent. In view of raising prices for commercial timber, prices should also be raised for pulp-and-paper and wood-processing industry.

Higher wholesale prices for fuel, raw and other materials will result in increased costs not only in industry but also in other sectors and spheres of the national economy: construction, agriculture, transport and the nonproduction sphere. It is necessary to carefully tie in the indicated rise in wholesale prices to the dimensions of its influence on outlays in other sectors and spheres without permitting unnecessary and unjustified price increases. Of course, price increases in agriculture will be compensated for; in construction this will require the correction of construction estimates, and in the nonproduction sphere--increased financing. It will be necessary to carry out corresponding balance calculations of changes in financial indicators of the national economy and budget in order to ensure the coordination of the projected changes in wholesale prices in industry and of the results of the effect of these changes on the national economy.

The raising of wholesale prices in the fuel and raw-material sectors not only does not remove the acuteness of the problem of lowering production cost of manufactured products but, quite the reverse, makes it more urgent. The revision of wholesale prices must proceed guided by the disclosure and use of reserve capabilities for economy. The quality of revision measures bill depends on how fully reserves for boosting efficiency of production are taken into account. The desire for reduction of wholesale prices continues to be the chief direction of work in improving price formation.

The revision of wholesale prices and those changes that will be carried out on the whole will exert a positive influence on the economy since they are due to objective factors. In industry, new valuable relationships will arise in favor of a higher assessment of fuel and energy resources, raw and other materials. This will correspond to the dynamics and forming coordinations of outlays for production output. The new prices will provide a more objectiv reflection of national-economic proportions in conformity with existing costs of individual sectors and subsectors of industry. Thanks to this, they will become a more reliable instrument of planning.

The new correlations of price levels, first of all for products of the fuel and power sectors, will create a new situation in the assessment of measurements adopted for its economy. Under present conditions, there has become prevalent in all countries economy of fuel and power through economy of heat for the heating of buildings, the use of technological heat, the development of new, more economical engines, equalizing of average daily consumption of electric power and so on. Under the new prices, many measures in thie field which have not been advantageous will become practicable and necessary. Thus, economic conditions will be created for broader economy of fuel and power in all parts of the national economy.

The wholesale price revision should not only eliminate unprofitability of sectors but also sharply reduce the products list of nonprofitable items and the number of enterprises operating at a loss. A healthier economic basis is being created for the strengthening of cost-accounting principles in the operation of associations and enterprises, which is one of the most important aimes of the revision.

The forthcoming review and improvement of wholesale prices should be completely linked to the measures stemming from the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Action of the Economic Mechanism on Raising Efficiency of Production and Quality of Work." In a number of cases, this requires new methodological approaches to the validation of price levels and working out of price lists. The basis of a price system should be cost-accounting principles in the operation of associations and enterprises and principles of economic stimulation of production; the economy should be oriented to a larger degree toward end results of production and the search for most effective and economic ways of achieving them and also the establishment in the national economy of the most optimal intersectorial and intrasectorial proportions.

In addition to the problem of a close tie-in of wholesale prices to costs of production, a number of methodological problems should be solved of fuller reflection of all national-economic outlays in prices.

It has already been mentioned that in the last wholesale-price revision the structure of expenditures and prices in the fuel and raw-material sectors included state expenditures for geological prospecting work. Their volume is constantly growing. But the present rates of including such expenditures in wholesale prices only compensates for half of the present outlays of the state for these purposes; in consequence, the price level for fuel, raw and other materials is set too low. It will be necessary in the forthcoming revision to fully include in production cost and reflect in wholesale prices outlays for geological prospecting work.

A similar situation occurred in the case of tree piece-rate pay in the logging industry. Its level compensates for only half of state outlays for reforestation. It would have to be doubled to correspond to the actual economic conditions.

Such a category of production cost as set contributions to the state budget by enterprises to finance social insurance benefits also calls for a new approach. The economic basis of norms of extra charges are outlays for social security of workers: pensions, payments to workers and employees in cases of temporary disability in connection with illness and other social benefits and assistance to workers. Set contributions to the state budget by enterprises to finance social insurance benefits serve as a source of financing for the social-insurance budget. Their size in industry constitutes 7-7.5 percent of wages with differentiations for individual sectors. But on the whole, existing norms do not provide more than a 40-percent compensation for the expenditures of the social-insurance budget. More than half of it is financed from other sources of state-budget revenues.

In the revision of wholesale prices, it is contemplated that reduction costs will reflect more fully outlays for social insurance of workers and employees. At the same time, in a number of fuel and raw-material sectors (coal, geological prospecting, ferrous and nonferrous metallurgy, pulp-and-paper, construction materials industry), where the relative share of wages in the expenditures is relatively high, the sizes of the charges will remain unchanged so as not to cause an additional growth in the price level. Computations show that although the introduction of the new norms of the charges will significantly increase their sum, they still will not be in full accord with actual expenditures for the social insurance of workers.

The coming wholesale-price revision will improve qualitatively price lists and activate the role of prices in having an impact on higher efficiency of production. It will contribute to achieving accord with present-day conditions of regional (zonal) price differentiation, ensuring economically valid correlation of prices for comparable and interchangeable product prices and the creation of interest in complex processing of raw and other materials. Questions of economically valid correlation of prices in combination with their regional differentiation are especially acute in regard to fuel--coal gas and oil--and power (need for improvement of regionalization of electric-power rates, elimination of unjustified differences in related power systems). Provision should also be made for increasing the stimulating role of rates in economizing the use of electric and thermal power.

In the revision of prices for products of ferrous metallurgy, work should be continued in improving price correlation to stimulate the output of the most economic and progressive forms of rolled metal and in nonferrous metallurgy--to stimulate fuller extraction of useful components contained in the raw material. Price lists for mineral and other types of raw materials should where possible take into account the requirements of better utilization of natural resources. This applies to petroleum recovery, chemistry, nonferrous metallurgy and the logging industry.

The comprehensive utilization of raw materials has a direct relationship to higher efficiency of the economy. This is especially important for the logging sector where rational use of timber clearing reserves and of procured timber are still at the present time an acute problem in organization of work. Such problems also exist in nonferrous metallurgy, the chemical industry and other sectors.

The reduction of material intensiveness of production through the use of progressive design solutions, improvement of manufacturing processes, increased output of economic types of products and reduction of the specific expenditure of raw and other materials, deeper and more comprehensive processing and the expanded use of secondary resources constitute one of the chief reserves for raising production efficiency at the present stage. The solution of these tremendously important tasks should involve the employment of economic factors, including prices.

Through the practice of price formation, a certain amount of experience has been accumulated in the making of price lists and correlation of prices for fuel and raw and other materials with account being taken of their rational and comprehensive use. This experience must be generalized, developed and improved so that the introduction of new price lists would the effectiveness of their impact on the use of material resources. We have in mind: economically valid making of price correlations for different interchangeable types of fuel and raw and other materials (coal, gas, petroleum products; different kinds of timber; ferrous, nonferrous metals and plastics; different kinds of construction materials and so forth); fuller accounting of shortages of raw materials and effectiveness of their use in prices; stimulation of the comprehensiveness of their processing; choice of a most efficacious product-measurement unit.

The creation of new price lists for products of machine building will be aimed at stimulation of technical progress, higher efficiency and reduction of material intensiveness of new equipment, ensuring a lower price level per unit of useful effect. To increase the production of progressive types of machinery and equipment, the correlation of prices for individual groups of interchangeable products will be revised; the new prices will provide for greater profitability of more economic and effective types of products in use and also for speeding up removal from production of obsolete products.

The action of the new price lists for the producer should create more economically advantageous conditions for manufacturing products of general machine building use (castings, forgings, stampings and so on) and spare parts and also increase the interest of associations and enterprises in increasing completeness and plant readiness for delivered machinery and equipment.

The main direction of wholesale-price revision in light industry will be to increase their role in expansion and renewal of assortment of goods in accordance with population demand. This will require the elimination of existing unjustified differences in the levels of profitability of production of individual groups and types of items. The new price lists will have to reflect to a greater degree requirements for stimulating the rational and effective use of original raw materials, the production of their high quality types and corresponding products with the use of particularly durable dyes, additional finishing and handling, improving appearance and consumer properties of goods. Wholesale prices in light industry will be increased somewhat, since at the present time procurement of a part of agricultural raw materials (cotton, wool and the like) is still being done with subsidies from the state.

The wholesale-price revision will have to be done without changing the level of retail prices. In those cases where the costs of production of individual consumer goods exceed retail prices, wholesale prices for them will be set on the basis of production cost and normal profitability, while the difference between wholesale and retail prices will be compensated from the budget for manufacturing enterprises.

As shown by practice, the profitability level adopted for wholesale prices in industry amounting to 15 percent of the value of producer goods is basically in accord with the principles of operation of associations and enterprises. It ensures payment for producer goods, formation of funds of economic stimulation, growth of norm of own working capital and deductions for the creation of funds for the development of science and technology and so forth. For this reason the new wholesale prices will be formed given the condition of ensuring a profitability in the amount of 12-15 percent. Norms of profitability are differentiated for separate sectors and subsectors depending on the relation of the capital-output ratio and current expenditures and provision of necessary correlations in the levels of prices, the dynamics of production cost and profitability in the immediate future.

The methodology of establishing the amount of profit in prices for specific products plays an important role in price formation. The principle of setting the size of profits in proportion to production cost is most widely prevalent in validation of prices. It is true that in light industry, profit is formed on a so-called two-base foundation: partly in proportion to production cost and partly—to expenditures for processing. In other sectors various specific methods are used in establishing profits for separate types of products. Consequently it is necessary to analyze the different methods so as to use the most efficacious ones in the making of new price lists.

We know that determination of profit in proportion to production cost makes it largely dependent on the relative share of raw and other materials and component parts in expenditures. This contradicts the objectives of economy of materials, since it creates unjustified sizes of profits in production operations with relatively small outlays on their part. Consequently, in the forthcoming revision the practice should be expanded of employing indicators of profitability in the form of a ratio of profit to production cost less the cost of raw material, fuel, other materials and component parts and also of using other effective methods. It is necessary to tie in to a greater degree profit to the actual contribution of each production operation in the creation of product cost, to provide an equal advantage in regard to its own expenditures and to reduce the influence of the material factor on profit. Such an approach corresponds more to the principle of orientation toward end results and provides better economic conditions for the implementation of measures of economy of fuel, raw and other materials.

Introduction of the principle of determination of profit that is proportional to one's own expenditures corresponds methodologically to the tasks of forming norms of net product there where they will be used. The development of such norms is a new procedure. It is important that the principle of their construction and use be clear, accessible and convenient in practical use.

The revision of wholesale prices is a complex and laborious work. All enterprises and associations, ministries and sectorial scientific-research institutes take part in it. The ministries are responsible for the timely working out of drafts of price lists. They must develop drafts of price lists not only for presentation for their approval at the USSR State Committee for Prices but also according to that product mix the prices for which according to existing procedure are approved by the ministries themselves. In this connection, the ministries have a big responsibility for the timely and quality implementation of all measures relating to the revision of wholesale prices. The ministries have to organize the work of sectorial scientific-research institutes and also other organizations responsible for the preparation of price-list drafts and to provide schedules and a procedure of presentation of materials to enterprises and associations and also control over their work.

The economic validity of the new wholesale prices will largely depend on the quality of materials presented to enterprises and associations for the development of price-list drafts. First of all, it is necessary that they be reliable. In this connection much work will have to be done at enterprises and associations in the compilation of calculations for each type of manufactured product and valid distribution of production expenditures.

This is a complex operation, especially because of the fact that at many enterprises the level of the calculating work is still inadequate.

The calculation and other materials must be in strict accord with the established forms. The job of the developers of price-list drafts is to carefully verify calculations of production cost, not permitting the inclusion in it of nonproduction expenditures and losses, boosting of norms of expenditure of fuel, electric power, raw and other materials and labor outlays.

Price-list developers must not only provide for expert verification of presented calculation materials but also give a correct assessment of the dynamics of expenditures and size of production cost for the year of introduction of the new prices. Price lists have to be worked out with consideration of established targets for reduction of production cost at jurisdictional enterprises, wide-scale use of the achievements of science and technology and improvement of production, growth of labor productivity, economy of raw and other materials, fuel and power. Account should be taken of the results of the last revision, when an underestimation occurred of factors responsible for lowering of production cost as well as insufficient exactingness in regard to materials presented by enterprises, resulting in higher levels of prices for certain types of products.

The correct determination of production cost as the calculating basis of price will determine to a significant degree the quality of the whole work of revision. Production cost must take into account forced targets in regard to economy of resources. This applies to all sectors, including the fuel and raw-material, where it is planned to raise the level of wholesale prices.

Ministries and departments must carefully look into the state of affairs relating to the fulfillment of plan targets for economy of material and labor outlays. We know that in recent years targets for reduction of production costs are not being fulfilled, which effects the level of wholesale prices. This question is particularly acute in regard to the fuel and power sectors, ferrous metallurgy, logging and other sectors of the extractive industry. The production-cost level is high for individual types of products of the chemical industry and in machine building (electronic, radio equipment and so on).

In the complex work of revision of wholesale prices in industry, a major organizational role belongs to price forming organs, especially to the USSR State Committee for Prices. They must not only provide in a timely manner all the developers with the necessary methodological instructions and norms of profitability but also to provide constant coordination of work relating to the revision. In this connection, strict control is required for the completion of a schedule of stage-by-stage completion of the work of compilation of price-list drafts and their timely examination and approval.

During the period of the revision it will be necessary to organize clear information for each developer on price changes for fuel, raw and other materials and component parts.

For the accomplishment of all this activity, price forming organs must be constantly informed of the course of the development of the price lists and maintain direct contact with the developers and participate in the solution of methodological and organizational problems. Only such an organization can provide timely and quality completion of the work.

The new wholesale prices are scheduled to be introduced 1 January 1982. Since ensuring systematic introduction of prices and recalculation of plans would require the new plans to reach enterprises and organizations ahead of time, it is clear that not much time remains. Extremely intensive work will be required not only by price forming organs but also in all ministries, associations and enterprises with wide-scale use of modern methods of organization and management, mathematical economic methods and electronic computers. The introduction of the new price lists should provide a stable price base in industry for the 1980s. It is difficult to overestimate the importance of this work. Therefore its timely and quality completion is the duty of all enterprises, associations, ministries and departments.

The demands for improvement of work in the field of price formation stem from the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Action of the Economic Mechanism on Raising Efficiency of Production and Quality of Work." In conformity with this decree, the role of five-year plans and long-term stable norms is being strengthened in the management of the national economy. The new conditions dictate the necessity for a radical improvement in the work of price forming organs, first and foremost for raising demands on drafts of prices presented for approval for the purpose of excluding the possibility of hiking them.

Since at the present time increasing attention in price formation is paid to the indicator of effectiveness, the responsibility of clients, developers and manufacturers for the validity of the economic effectiveness of new products in their planning and also to the correspondence of actual effectiveness to that planned. Of special importance to improvement of price formation is ensuring promptness in establishment of prices for new goods, especially consumer goods. Thus, higher demands are being made on all aspects of price formation, especially on the economic validity of prices. Prices should be stable, reliable and effective norms of expenditures, ensuring stability of planned targets and functioning of long-term economic norms. The preservation of stable wholesale prices during the course of a five-year plan constitutes an important principle of price formation under the new conditions.

Under conditions of increased stability of wholesale prices, their flexibility will be ensured by wide-scale use of additions to them, reductions from them and active employment of fixed payments for highly profitable types of products. For regulation of the profitability level the USSR State

Committee for Prices with approval of Gosplan SSSR and the USSR Ministry of Finance will change wholesale prices for individual products solely for their makers while retaining existing wholesale prices for consumers.

The aforesaid decree provides a greater role for markups and discounts in the technical level and quality of products. Incentive additions to wholesale prices will be made for new types of highly effective products of production-technical use in the amount of 0.5 to 1.25 of the norm of profitability for the period of one year and for especially complex products--for up to two years. In the case of the state Seal of Quality being awarded to a product in the course of this period, the operation of the addition will be extended, with the total period of its operation not exceeding four years and for products of special complexity--five years. At the same time, if the production of such products is based on developments recognized in the prescribed manner as discoveries or inventions, the size of an addition is increased by a factor of 1.5.

For products of the second category of quality and also for products that have not been certified in the prescribed manner, discounts will be applied in the amount of 50 percent of the sum of the profit obtained from their sale. On expiration of the time of removal from production of products of the second category, price reductions will be applied to to the wholesale prices in the amount of the full sum of profit. Such products should be sold according to the nonreduced prices, but the sum of the price reductions is deposited in the state budget.

Plans will get to associations and enterprises without consideration of additions and reductions for production quality, but assessment of plan fulfillment will be made with account being taken of their operation. At the same time, enterprises are obliged to deposit the sum of the reductions into the state budget without a special decision of price-forming organs. Thus markups ensure additional profits, while reductions place enterprises producing subquality products in a difficult position.

More favorable conditions are being created for economic stimulation of technical progress. In this connection, there should be pointed out a change in the procedure of utilization of the fund for development of science and technology as compensation for increased costs for the starting of new types of products. Whereas formerly these costs of associations and enterprises were only compensated, now the cost of the work financed from the single fund for the development of science and technology will be accounted in the total volume of production with the charges of normal profit for the respective group of products. Under the former procedure, enterprises were not interested in compensation of costs for the starting of new products from the aforesaid fund and tried to include these expenses in the production cost of the items, which resulted in boosting of prices for new varieties of products. Under the new conditions, the situation is radically changed--interest is created in the use of money from the fund for the development of new equipment.

Questions of economy of material-labor resources are of primary importance to raising efficiency of production. The mechanism of operating the economy, cost accounting and material stimulation must be aimed lowering produc-cost and the use for this end of all available reserves in production. It cannobe be said that the economic stimuli in operation at the present time always meet this requirement. Frequently, it is more advantageous for enterprises and planning organizations to conceal economy reserves and produce more material-intensive products. The results are high prices for newly introduced types of products and the production of equipment of low effectiveness.

The rectification of such a situation will be helped by the use in production of materials that are less expensive compared to those used with retention of production quality at the former level and without any change in wholesale prices for the products till the end of the five-year plan. The enterprise is thus firmly guaranteed that its efforts of economy of material expenditures will be directly reflected in the results of economic activity.

Of no less important significance is the fact that wholesale prices for new products with low material intensiveness will be set with account being taken of preserving the size of profit obtained from the sale of formerly produced (replaced) products but no lower than the norm of profitability. For the determination of production volume and labor productivity to the end of the five-year plan, wholesale prices for the replacing products adopted in the plan will be used. In this way associations and enterprises and their planning organizations will be interested in the creation of cheaper types of new products.

All this has a direct bearing on problems of improvement of price formation. Under the new conditions, a considerably less tolerant attitude will exist toward instances of boosting of prices. It is necessary to strengthen and improve calculation work relating to validation of costs of production and to the methodology of calculations of economic effectiveness of new products. Realization of the measures indicated above requires raising the level of all work in the field of price formation and activation of the role of prices in the implementation of the party's economic policy.

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INDUSTRIAL DEVELOPMENT AND PERFORMANCE

QUICKER COMMISSIONING OF NEW PRODUCTIVE CAPACITIES URGED

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[Article by V. Varfolomeyev]

[Text] A resolution by the CC CPSU and the USSR Council of Ministers, "On Improving Planning and Strengthening the Effect of the Economic Mechanism on Raising Production Efficiency and the Quality of Work," requires that planning be raised to a qualitatively new level. A pressing problem in this regard is to have the technical and economic implementation of new productive capacities correspond to modern planning methods.

A number of measures have been undertaken to improve the investment process in the economy of our country as a whole, and the technical and economic implementation of new productive capacities in particular. However, as shown by the results of numerous investigations, a marked reduction in the time of the implementation process and an improvement in its efficiency have not been achieved. Thus, the average time for implementing planned productive capacities has reached four years. Therefore, a reduction in the time and a rise in the efficiency of technical and economic implementation is an important problem of vital significance for improving the balance of economic planning.

A primary factor in this effort is the theoretical justification of the limits and stages of the investment process over a time period that allows the problems of standardization, planning, financing, accounting, control, and material stimulation to be solved, i.e., the problems involved in raising the effect of the economic planning mechanism to a new intensity level and improving the efficiency of the industrial and ecomonic implementation of productive capacities.

Now, the period for the implementation of the planned capacity of a project is considered to be the time spent on preparing the project to become operational, the start-up and adjustment work, and the direct implementation of the planned capacity. Such a characterization, in our opinion, is poorly chosen to reflect the improvement in the intensity and quality of work in scientific and industrial units participating in the design and implementation of new capacities. There are objections to having the implementation time include the time spent on preparing a project to become operational, along with the start-up and adjustment work. In the broadest sense, the preparation of projects to become operational is the basic task of scientific research, planning and design, and construction and installation organizations.

Research has shown that the justification for the starting time of the implementation period of a planned capacity is the most complicated task. The economists closest to solving this problem are those who relate the starting time of industrial implementation to checking the operation of machines in an inert medium. However, one cannot agree completely with this outlook. The beginning of work on testing equipment in inert media cannot be the moment indicating the starting time for implementation of planned capacities. The results of such a test reflect only the quality of the construction and installation work.

The total implementation of a project should correspond to the starting time for the interaction of all the elements in the production process indicating the technological functioning of production. On this basis, the first stage in the implementation of a project that can be called a technical stage begins with the starting time for the functioning of the technological process and ends with the attainment of the planned productivity of the equipment and the first batch of production specified by the project. The duration of this period, as shown by experience in the implementation of heavy facilities in the chemical and metallurgical industries, is one-and-a-half to two months.

The adjustment and implementation of a technological process (and not the testing of equipment) provide the basic over-all answer to the question of the final stage, which can be called the economic stage. In this stage the problems of the over-all satisfaction of the most important planned technical and economic indicators must be solved. These problems require agreement and mutual coordination in the planning, accounting, evaluation, and material stimulation for the level of implementation of the planned indicators for productive output and the qualitative planned economic indicators, especially the planned cost. The level achieved in the planned productive cost should be considered the main indicator and test for implementation of new productive capacities.

At the present time, the main indicator characterizing the implementation process for new production capacities is the satisfaction of the norm for the duration of the implementation time. By the duration norm for implementation of a planned capacity in an enterprise or parts of it (line, start-up complex, section, shop, machine unit), we mean the time from the day the authorization document is signed to the achievement of a stable output of production by the enterprise, unit, plant, or shop in the volume specified by the project (in mean-monthly units). The duration of the stable output phase is determined by the production cycle, which amounts to one month in industries with a short cycle. Thus, only the attainment of the planned output is taken into account.

Reaserch that has been performed indicates that the quantitative output of production at the level of the planned mean-monthly capacity is reached by exceeding the planned expenditures for raw materials and other goods. A comparison of the implementation of caprolactam productive capacity at the Shchekino and Kemerov Production Associations [PO], Azot, indicates that in the Kemerov PO the planned capacity was implemented in 17 months and in 31 months at the Shchekino PO, with a norm of 18 months. Evidently, caprolactam production was more successfully implemented in Kemerov than in Shchekino. The situation changes, however, if we analyze the level of planned material expenditures, especially the input coefficient for raw materials.

The analyzed data (Table 1) shows that in the Shchekino association the caprolactam output reached the level of the planned mean-monthly capacity along with the implementation of the planned input coefficients. In the Kemerov association the achievement of the planned production output occurred at a time when the consumption of benzene and hydrogen exceeded the planned level by a factor of 1.5 and that of ammonia by 1.1. This situation cannot be permitted to exist under modern conditions because the raw material factor is exceptionally important for satisfying the needs of society and raising production efficiency.

Table 1

Indicator	Kemerov PO Azot			Shchekino PO Azot		
	Year of Operation					
	first	second	third	first	second	third
Implementation level, %						
planned capacity	34.6	79.4	93.6	36.7	91.0	96.4
planned material expenditures	146.8	127.3	108.9	141.0	118.7	96.0
Profit (+) and loss (-) from implementation, billion rubles	-2.6	-3.9	-1.2	-2.8	-2.1	+0.7

It is useful to refine the concepts "norm of the duration of implementation of planned capacity" and "productive implementation." The concept of "norm of the duration of implementation of planned capacity" should be characterized, along with stable output, by the demand for productive output per unit of raw material, while "productive implementation" (implementation of planned capacity) refers, along with planned yearly productive output, to the achievement of planned material outlays per unit of production. Strengthening the role of the production cost indicator does not diminish the significance of such indicators as labor productivity and capital-output ratio. It is important that the increase in planned labor productivity and return on investment be the main factor in the reduction of the productive cost and in keeping it at the planned level. This situation should be taken into account in the economic analysis of the implementation process for new productive capacity.

Such an approach to justifying the limits and the formulation of the basic concepts of technical and economic implementation of new productive capacities corresponds in the highest degree to the unified principles of science and industry, technology and economics.

Investigations of the behavior of planned production output and planned, material, and conventionally variable expenditures and the calculation of the average quarterly rate of reduction in the expenditures can provide the basis for developing and using over-all standards for the duration of implementation of new productive capacities. Research on large-scale production of ammonia, ammonia nitrate, and caprolactam has shown the practical importance of developing norms based on relating the implementation of the planned production output to the planned material conventially variable expenditures.

The development of a standard duration for implementation may be illustrated by the case of caprolactam production.

Calculations of the average quarterly rate of reduction of material expenditures (determined by a geometric mean equation) indicate caprolactam production up to the time the planned magnitude was achieved amounted to 2.8% in the Kemerov Production Association Azot, 5.3% in Grodno, and 6.5% in Shchekino, with the average for the three associations being 4.8%.

With data on the indicator of material expenditures exceeding planned expenditures during the initial production period and on the average quarterly rates of reduction for them, the time for implementation of the planned production cost was calculated according to the equation

$$T_0 = \frac{\lg K_{\text{п}} - \lg C_{\text{п}}}{\lg\left(1 + \frac{\bar{\bar{\text{Б}}}}{100}\right)}, \qquad (1)$$

where T_o is the duration of the implementation of the planned production cost per quarter; K_p is the coefficient for excess material expenditures above the planned expenditures at the beginning of industrial production; C_p is the planned material expenditure, which is taken to be unity; $\bar{\bar{B}}$ is the average quarterly rate of reduction of material expenditures. The caculations according to Eq. (1) indicate that the standard duration for achieving the caprolactam production cost at the planned magnitude is 30 months.

The use of standard times for the duration of expenditure implementation in current planning requires that the standard coefficients of the quarterly level of planned production cost be calculated as a function of the level of implementation of the planned production output, which would enable us to determine the excess of planned production cost for the level of implementation of planned production output that is either achieved or planned. The standard coefficients for the conventionally variable expenditures were calculated by establishing mathematical and statistical relationships between the levels of implementation of planned production output and the excess of actual material expenditures above the planned levels.

Using the data on caprolactam production, and taking the excess of actual material expenditures over the planned expenditures (in percent) as the function F and the level of implementation of the planned productive output as the argument x, we can put this dependence in correlation form:

$$\bar{F}_x = 31{,}86 - 0{,}174\,x. \qquad (2)$$

This equation enables us to determine the degree of implementation of the planned productive output and the excess productive cost above the planned level near the time of complete implementation of the planned productive output, which was 14.5% for caprolactam production.

If the standard duration for implementation of planned productive cost, the level of material expenditures at the time of implementation of the planned productive output, and the average quarterly rate of their reduction are known, the standard coefficients of the quarterly excess of conventionally variable material expenditures above the planned outlays can be calculated for the implementation period.

The determination of the standard coefficients of the excess conventionally variable expenditures must be based on the level of implementation of planned output for each quarter. The duration of the implementation of planned capacity for caprolactam production was calculated to be 21 months. The norms also take into account that the preparation work performed during the pre-output period ensures the implementation of the planned productive output at the beginning of production at the 30-35% level. The norms pre-determine the level of implementation of planned productive output at the end of the first year of operation to be 70% and at the end of the third quarter of the second year to be 100%. According to these results, the level reached in the remaining quarters can be calculated according to an equation given in an article by P. Chekhovskiy, "Accelerated Implementation of New Capacities."*

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*See: PLANOVOYE KHOZYAYSTVO, 1972, No. 8, p. 123.

The quarterly levels of the implementation of planned capacity provide the basis for calculating the standard coefficients of the level of implementation of conventionally constant expenditures, starting with the inverse dependence of their reduction on the level of the planned productive output reached.

The planned production cost during the implementation period is determined as the sum of the planned conventionally constant and conventionally variable expenditures, which are correlated by the corresponding standardized implementation coefficients.

The use of norms in the planning of production costs allows us to increase the efficiency of implementation of new production. The reserve-forming factor in the increase in efficiency is the reduction in profit losses due to above-norm expenditures and time periods for the implementation of planned production cost. They can be calculated as the reduction in the sums of insufficient profit for each year multiplied by the standardized efficiency factor and the number of years from the start of production to complete implementation.

Calculations of caprolactam production indicate that the practical introduction of measures to improve technical and economic planning reduces implementation losses and raises the efficiency of new production by a factor of 4.8, which reduces the time required for the functioning of new production at the technical and economic level specified by the project.

Thus, the development of norms taking into account the level of implementation of the planned output and production cost not only enables us to improve the quality of planning, but also to correlate the cost-accounting indicators with the indicators used for the stage with scientific and technical development and planning. Thus, an improvement in standardization opens up the possibility of controlling the efficiency of new technology and turning a planned effort into reality by using cost accounting in industrial enterprises.

An important aspect of the problem is the improvement of control during the implementation of new productive capacities. Even planning and construction-installation activities performed on time with good quality do not guarantee the efficiency of implementation of new productive capacities. A major reason for this situation is that as soon as facilities are pu into operation, the problems associated with the planned indicators for production cost, productivity, and profitability hold little interest for workers in the planning units. The planning and statistical information provided by enterprises does not include data characterizing the improvements in the implementation of qualitative economic indicators for facilities put into operation. The implementation of planned production output is controlled to some degree, while the planned production cost and the other technical and economic indicators remain uncontrolled.

Control can be realized by developing flow charts for the implementation of capacity that specify planned rates of implementation per month in absolute (tons, pieces) and relative (percents of planned capacity) units. Although flow charts help bring order to the implementation period and make it possible to analyze it according to time periods and rates, they have serious flaws. They are primarily connected with the calculation of bonuses for implementation of capacity and therefore often do not reflect the dynamics of productivity during the entire implementation period, beginning with the first month of productive output. The flow charts apply only from the month at which more than 60% of the implementation of the average monthly planned output is reached (the payment of bonuses can begin at this time). The flow charts do not have to include lists and indicate the content of implementation work performed at each stage, but this information is needed to analyze the justification for the established rates of implementation and to monitor their fulfilment.

The situation is also complicated by the fact that enterprises in which new facilities are put into operation generally work out flow charts for implementation of the planned productive output ahead of time. Pre-deadline implementation is often only one of the socialist commitments. Practice indicates that after the commitments are fulfilled the productive output often is considerably lower than the planned output. As an example, the results of an analysis of the implementation of capacity at two large-scale ammonia producers, the Cherkasskoye and Severodonets Productive Associations Azot, are given in Table 2.

The data in Table 2 indicate that the average-monthly planned output of ammonia at the Cherkasskoye association is carried out after four months instead of the 18 months according to the norm. Afterwards, however, the productive output remains below the level specified by the norms. Thus, at the end of the third quarter of the second year of operation, production should be at the planned (100%) level of implementation of capacity, but the actual level of implementation is 77.3%, which is lower than that reached at the end of the first year of operation. In the Severodonets association the only indicator reached in the standard time is the duration of implementation

Table 2

Duration of implementation of planned capacity, monthly		Level of implementation of planned capacity in % at the end of quarter or year (if duration norm is more than year) of operation					Volume of production (refining or extraction of raw materials) in % of yearly planned capacity						
stand.	actual	standardized		actual			standardized			actual			
							yrs. operation				yrs. oper.		
		first year	second year	first year	second year	year oper.	1st yr.	2nd yr.	3rd yr.	yr. oper.	1st	2nd	3rd
18	4	80	100 (at end 2nd quar.)	88.2	77.3 (at end 2nd quar.)	15	58	92	100	19.3	80.8	84.3	95.9
18	[illegible]	80	100 (at end 2nd quar.)	59.3	65.3 (at end 2nd quar.)	30	75	95	100	49.4	94.3	99.6	--

for the planned average monthly capacity of ammonia production.

There are several reasons for this situation. The first lies in the above-mentioned flaws in evaluating the duration of implementation of capacity. The second is that the performance of preparatory work in the pre-startup period ensures a certain initial level. In norm calculations it is taken to be 35-40% of planned capacity for enterprises with a long production cycle and 60-75% for a short cycle. Actually, as reported data indicates, the initial level of implementation for planned capacity is 80% or more. As an example, it is 91.1% for ammonia production at the Severodonets PO Azot. And, finally, the system of material stimulation is designed to reduce the duration of the implementation of planned average monthly capacity.

On the whole, one can say that the achievement of planned capacity requires a corresponding expansion of material incentives and the control of the implementation process. In spite of the standardization applied to the indicators for the duration of implementation, the level of implementation of planned capacity, and the volume of production as a percentage of the yearly planned capacity, control and stimulation are directed only toward the observence of the norm for the duration of implementation of the average monthly planned capacity. Therefore, the improvement of the system of material rewards for workers completing the planned capacity should be aimed at making it more comprehensive.

It is also necessary to increase the responsibility of enterprises and the above-mentioned planning units: the first group should retain the rates achieved in implementation, and any subsequent reduction in them should lead to a decreases in the size of the rewards; the second is responsible for the accuracy and justification of planned tasks set-up by the enterprises to implement the planned capacity of projects put into operation again.

It is reasonable to change the way of determining the bonus total for implementation. At the present time, the basis for determining the bonus total is the estimated cost of the project. The basis should be the rate of increase in the profits. This would make the implementation bonus a function of the final results for production efficiency.

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ECONOMIC MODELING AND COMPUTER TECHNOLOGY APPLICATION

EXPERIENCE IN MODELING UKRAINIAN ANNUAL PLAN DESCRIBED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 3, May-Jun 80 pp 484-490

[Article by Yu. S. Arkhangelskiy and L. V. Shvets, Kiev: "Experience in Developing Economic-mathematical Models for the Annual Plan for the Ukrainian SSR Gosplan Automated System for Plan Calculations"]

[Text] The past decade has been characterized by the broad development of work on the Ukrainian SSR Gosplan ASPR [Automated System for Plan Calculations]. In accordance with the outline draft, its basis should be a system of economic-mathematical models. However, only 10 percent of all tasks for the first section of the ASPR have been set up on this basis. 1/,2/ Moreover, virtually none of them has passed from the stage of experimental calculations and become a working planning tool. The corresponding direct planning calculations are included together with the optimized models for the ASPR. For example, there are two alternative tasks for local industry: "Calculation of the Production of Cultural and Personal Goods and Domestic Goods" and "Calculation of Optimum Volumes and the Structure of Production for Cultural and Personal Goods and Domestic Goods." What, then, are the main causes of the incapacity of economic-mathematical models and by what methods can the difficulties in "incorporating" them in practical work in planning calculations be overcome?

We shall analyze the main economic-mathematical models developed at the Ukrainian Academy of Sciences Institute of Cybernetics for the Ukrainian SSR Gosplan in accordance with the concept of constructing them into a system based on a comprehensive model. 3/ Since the latter is a dynamic, multiproduct, interdepartmental, interoblast balance model, work is being done on its individual standard submodels--primarily balance, production and transportation models and combinations of them.

Since the incapacity of the economic-mathematical models of the Ukrainian SSR Gosplan ASPR being studied depends on different factors and frequently on the type of model, let us first examine the most common causes and then the specific causes.* At the same time we shall attempt to suggest constructive ways of overcoming existing difficulties in "incorporating" models in the practical work of planning calculations. In the exposition we shall follow stage by stage the development models, namely type selection, products lists for production and resources and construction of the model on the basis of documented and undocumented data, and also taking into account existing planning algorithms, and determination of ways to enhance model effectiveness.

It should be noted that when selecting the model type (balance, production or transportation, stochastic or determinist, linear or nonlinear) we do not encounter any serious difficulties. In our view this is because of the quite serious work done on appropriate models in leading organizations concerned with economic-mathematical modeling. Individual difficulties, however, occur nevertheless: it is not quite clear, for example, how it is possible in a model for agriculture based on existing information in a republic Gosplan to take stochasticity into account, since data on losses from underproduction or surplus production of produce are lacking in obvious form. Similar difficulties also occur in balance models when constructing preference functions (scales) on existing Gosplan data. It is true that these questions are more of a methodological nature since, in our opinion, the principle aspect is clear.

Let us examine the causes of incapacity conditioned by difficulties in the selection of the products list for "incorporated" models. We note primarily the effect of three factors.

First, as a rule, planning at the republic Gosplan level is done in a consolidated products list for output, resources, territorial units and organizations and time periods. The Gosplan is not in a position to deal with millions of specific goods descriptions or coordinate plans at the level of classes, subclasses, groups, subgroups and sometimes even kinds of output (according to the all-union classifier). For example, it is not mugs and teapots made from aluminum rolled metal that is planned but aluminum pressed vessels as a whole. Similarly with other products lists. Thus with the rare exception, Gosplan draws up plans not at enterprise level but as a whole for ministries and departments or for economic regions and oblasts, for the five-year plan as a whole, and for the year or quarter.

Second, there is a lack of active comprehensive planning for the territories of the republic: Gosplan provides some indicators for all union, union republic and republic ministries and departments, and others only for republics. For example, the production of output expressed in kind is done for union republic and republic while as a rule demand is determined according to industrial republic and nonindustrial union republic ministries and departments.

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* Some of the causes of the low effectiveness of the ASPR models are the same as for the OASU [Branch Automated Control System] 4/ while others are new.

Third, a number of virtually uncontrollable indicators are included in plans and planned at the level of the republic, as for example the output of ferrous metallurgy, light industry and certain other sectors. The lack of control here is connected with the fact that the republic Gosplan does not handle the appropriations nor capital investments in these sectors, and consequently cannot influence production plans in any practical way.

These kinds of features in products lists hamper the construction of models designed for practical utilization.

Let us deal with the first of the features mentioned--consolidated products lists. It is known that repeated attempts have been and are being made to develop optimized production models at the republic Gosplan level. In particular, the Odessa branch of the Ukrainian SSR Gosplan GlavNIIVTs [expansion unknown] has constructed a sufficiently complete base model for the annual plan for aluminum pressed vessels (cooking pans with capacities up to 3.5 liters, teapots and so forth) taking into account the constraints on standard hours for each plant. Here, it has been shown that in principle it is possible to alter specilizations in the production of aluminum pressed vessels. Nevertheless, it was not possible to implement the results of calculations: first, the plan turned out to be inadmissible and incorrect because of incomplete details for the products list and resources; and second, even given this kind of incomplete breakdown, it was unaddressed. Let us examine these causes in greater detail. The inadmissibility of the plan for aluminum pressed vessels occurs because equipment constraints for each plant are considered together, and the incorrectness is the result of consolidation of the product types included in the model without coordination of consolidated and detailed items. Thus, the item "cooking pans with capacities up to 3.5 liters" is singled out; on close examination it becomes clear that this item includes cooking pans with capacities of from 0.5 to 3.5 liters, polished and unpolished, and so forth, and--this is particularly important--each plant is producing its own range of cooking pans with capacities up to 3.5 liters. Accordingly, the indicators for equipment operation and production costs for each item turn out to be incompatible for the various plants. It is, however, virtually impossible to construct a detailed model at the Gosplan level since this would overflow into a task of immense proportions that would be impossible to analyze or resolve.

An expedient way out of the difficulty encountered might be a multilevel system of models with differing degrees of aggregation: at the Gosplan level in the greatest degree of aggregation for indicators in accordance with its products list, at the ministry level in a less aggregated products list, and at enterprise and material and technical supply organ or trade level in the least degree of aggregation for the products list. In this event, the addressed nature of indicators will be insured at all levels of planning, namely agreement between aggregated and nonaggregated indicators.

It should be noted that in some cases it is possible to construct single-level production models, for example, when consolidated production in different ministries or departments or in different sectors is sufficiently homogenous internally--that is, when it possesses the same production structure or is sufficiently detailed. A single-level production model was constructed at the Institute of Cybernetics for vegetable growing according to kinds of vegetables (pomidori tomatoes, cucumbers and so forth) without taking into account the early varieties and kinds, that is, according to a sufficiently detailed products list for the republic Gosplan. In the opinion of Gosplan specialists this model is sufficiently correct, although even here further research is required.

Consolidation of the products list when constructing transportation models is not so complex a problem as the development of production models, since here there is no concern with average balanced norms. Nevertheless, when constructing models of the transportation type, consideration must still be given to the aggregated nature of the products list and territorial units. When developing transportation models for road metal, potatoes or other products it has turned out to be expedient to introduce only such links between supplier and consumer as were operating in the preceding two or three years or deliberately to introduce them into the planning year (taking into account the constraints on maximum magnitude of deliveries), since the choice of suppliers conditions the quality of the product transported, which is important for the consumer, be it road metal or potatoes. Moreover, the consolidated nature of a region plays a part. For example, in accordance with the optimum plan, road metal should be delivered to Krymskaya Oblast from Zaporozhskaya Oblast, but in fact it is delivered from Zaporozhskaya and Khersonskaya oblasts since some consumers are close to the Zaporozhye quarries while others are close to those at Kherson. Because of this and certain other factors, the plan for the delivery of road metal between 150 quarries and 25 oblasts of the Ukrainian SSR possesses 600 links while in the "optimum" plan (disregarding constraints on communication) the number of positive links cannot exceed 175 (150 + 25 - 1). [As published]. Consequently, in order to obtain an acceptable plan for deliveries it is necessary to introduce bans and constraints on the volume of deliveries. A similar picture has formed with potatoes, primarily as the result of variations in quality. Thus, the Chernigov potato is considered best by consumers and so in reality the places to which deliveries are made from this oblast are considerably greater numerically than in the "optimum" plan. In addition, other factors also affect the "redundancy" in the number of links for potatoes, in particular stochastic factors. For example, it has become clear that the expediency of delivering potatoes to Kharkovskaya Oblast from Ternopolskaya Oblast is conditioned by the sharp variations in the yields and gross harvests in the nearest oblast-supplier (Sumskaya). In order to compensate for this the republic Gosplan also reinforces deliveries to Kharkovskaya Oblast from more distant oblasts. Consolidation difficulties occuring in pure balance models are less significant since, in contrast to optimized plans, they do not provide for changes in the structure of production, or at least substantial changes. Average balance indicators remain relatively stable, particularly within the framework of the annual plan. But here also, to use output from the chemical and light industries as examples, about 30 percent to 40 percent of norms are altered during the process of plan compilation. Accordingly, in this case also a multilevel system of models with different degrees of aggregation can be an effective tool.

Let us examine the causes of the incapacity of models because of lack of comprehensive planning in the republic Gosplan. For a number of years the model for the intersectorial balance for the entire territory of the Ukrainian SSR has been worked on in GlavNIIVTs and the Institute of Cybernetics. However, despite the considerable efforts, calculation results have not received their proper recognition in Gosplan: at republic level the required amount of planning information on expenditure norms and imports and exports has not been available. The calculations made on the basis of report information (taking into account expert evaluations) have not been of interest to Gosplan specialists because their main task is to work out confirmed norms and not to conduct scientific research.

The natural way out of this situation is to construct balance models for the republic only for those products for which material balances and distribution plans are now compiled in the Gosplan. A study of drafts and confirmed plans has shown that the total number of material balances drawn up for the entire territory of the Ukrainian SSR does not exceed 50 (thermal power, electrical power, output from intersectorial production facilities, local construction materials, agricultural output, part of the food industry output). Of these, the most closely linked group is that determined by agricultural output and the food industry. Within the framework of the annual plan, a corresponding balance model for these sectors was constructed at the Institute of Cybernetics. The following served as data: indicators for the form of the draft plan for the production of agricultural output, calculation of fodder requirements, the fodder balance, the movement of cattle and produce from animal husbandry, and balances for gross agricultural output; technical and economic bases of plans for food industry output; calculations of commodity supply for retail trading; and a number of others.

Let us deal briefly with the causes of incapacity in models through failure to take into account the degree of controllability of indicators at the republic Gosplan level. We first encountered this phenomenon when working on a model for interoblast deliveries of road metal. Initially the model was compiled for about 15 ministries and departments in accordance with Gosplan forms. Discussion of the calculation results showed that for many ministries (railways, highway construction and others) the republic Gosplan basically only fixes their links, and in accordance with accepted planning practice cannot influence them in any practical way. Accordingly, calculations for deliveries of road metal for the abovementioned ministries are necessarily of an "academic" nature. To some extent a similar situation has also come about in the construction of the annual model for interoblast specialization for vegetable growing: it turned out that many indicators for oblasts for a given year are virtually those set in the five-year plan and changing them is accompanied by considerable difficulties.

Let us move on to questions of constructing a numerical model. Basically, use is made of documentation data contained in the forms for the draft plan. As a rule, calculation results for this kind of model turn out to be unacceptable for the specialists of the republic Gosplan. In addition to the consolidated nature of the products list for output and resources, this is associated with lack of knowledge of the limits for changing the variables (at which norms remain virtually constant), evaluations of reliability for indicators included in the model, and also the possibilities for correcting them without prejudice to the real balance of the plans. We shall examine these causes in more detail.

In an optimized model the variables can be altered quite sharply. For example, when solving a model for interoblast specialization for vegetable production, constructed on document information, it turned out that individual oblasts are switched to grow only pomidori tomatoes while others grow only onions. In this case, yields from these crops would scarcely be changed if the proposed variant were adopted since the increase in the areas of land in a given oblast for a specific crop would lead not only to the use of land most favorable for the crop but also to less efficient land. In order somehow to overcome this kind of difficulty without conducting special research it is necessary to analyze plans and accounts for a number of previous years, determine the limits for changes in the plans at which yields will vary insubstantially, and take this into account in the model. In addition, it is expedient to resort to expert evaluations by the Gosplan specialists who may be able to make more precise the constraints found, taking into account the long range and factors known to them. We made broad use of this experience when constructing the balance model for fodder and it yielded positive results.

In order to reveal undocumented information (constraints) a study was recently started of the existing planning methods, that is, the technology for working out plans with accuracy for individual procedures. When the plan is being drawn up, the person constructing the model sits in at work with the Gosplan specialist and takes notes on the progress of the calculations, providing the necessary explanations. The progress of the calculations is then compared with the model and the necessary clarifications are incorporated in the model. Thus, observations on the compilation of the fodder balance made it possible to show that the production of hay, haylage and certain other fodders for the 1980 draft plan is set, while perennial grasses should predominate over annuals in the green mass. Taking these and other constraints revealed during analysis of existing planning algorithms into account in the model made it possible to approximate closely the machine-derived decision on feasibility, although here there is considerable compression of the field of optimization. One extremely effective method for revealing undocumented information is discussion of machine computations obtained with Gosplan specialists during plan compilation. In this case all model data is up-to-date for them and they have fresh memories about the particular nuances of the calculations and therefore can easily clarify particular constraints. It is true that certain complications occur here, since research has to be conducted during the busiest period for the Gosplan specialists. This method is therefore recommended for models that are already quite well developed and of considerable interest to the Gosplan specialists. The following are also effective methods for revealing undocumented information for the purpose of clarifying data reliability: statistical analysis of plans and accounts for preceding periods, expert evaluations, the study of existing algorithms and discussion of the results of machine computations. For example, when constructing a fodder balance model, the question arises of whether expenditure norms are reliable. To answer this a statistical analysis was made of plans and accounts for three years. As a result it turned out that although the republic Gosplan is quite capable of satisfying evenly the requirements for various kinds of fodder it systematically allows surplus supplies for some kinds of fodder (haylage) and shortages for others (hay). This indicates that in this case the reliability of quotas is not high and they operate to a certain extent merely as approximate calculations, largely as the result of the fact that the quotas were worked out more than five years ago and have not since been corrected. In order to somehow eliminate unreliability in quotas, possible limits for satisfying demand were determined on the basis of the statistical analysis, and after expert evaluation by Gosplan specialists they were incorporated in the model.

Similar examples can also be cited for calculations of demand for individual kinds of output in the light and chemical industries where some quotas are corrected by factors of some 10 percent during the transition from draft to confirmed plan. In many cases only a combination of individual methods for revealing undocumented information makes it possible to find overstated quotas or variants for replacing one material with another. In particular, comparison of draft and confirmed gross harvests of agricultural crops with requested and allocated funds for mineral fertilizers showed that demand for fertilizers is calculated largely in isolation from the planning of gross harvests. Disclosure of this fact led to a situation in which in all the models we have developed for agriculture, constraints on fertilizers are no longer taken into account. Of course, this does not mean that this will be so in the future, but at the moment there is no other solution.

When constructing practical models it is essential to take into account the need to inscribe them into the existing planning process or at least, if possible, to modify it by adapting it to the needs of the model. As a rule the latter is more complicated. Analysis of the technological processing of a number of forms in the Gosplan indicates that a high computation rate is an essential element in incorporating planning calculations in existing technology. For example, calculation of demand for chemical industry products for the draft plan together with formulation of results takes only several days in Gosplan. In our view it is possible partially to satisfy the requirements for computation rates by combining several mutually connected tasks within a single model. For example, computations of demand for and volumes of output expressed in kind form such a link if the former are produced on the basis of the latter. In this event, however, high demands are made on the operational efficiency of computations, since correction of one calculation frequently leads to a need to correct the other. Accordingly, dialog between Gosplan specialists and the computer at virtually any convenient time for them is an effective way out of this situation.

The last thing we want to deal with in this article is the possibility of obtaining effective machine plans. It is quite obvious that the efficiency of a computer and the models will depend on the number of variants that can be taken into account in the numerical model and also, possibly primarily, on the degree of variation. Analysis of models constructed for the ASPR at the Institute of Cybernetics indicates that the field of optimization in them is extremely insignificant. This is associated primarily with the rigid constraints set by Gosplan specialists for decisions. For example, whereas optimization of the plan for interoblast deliveries of road metal for 15 ministries and departments with more than 100 quarries in 25 consumer oblasts, disregarding bans and constraints on variables (deliveries), insured a transportation expenditure reduction of 15 percent, introduction of the bans and constraints dictated by existing conditions reduced the value of the effect to 25 percent. The situation is similar with the problem of interoblast specialization in vegetable production: the value of the effect fell from 8 percent to 1.5 percent. Optimization of the fodder balance, taking into account the limits in variations for indicators observed over the past three years, made it possible for increase fodder production only by 1 percent.

This all indicates that enhancing plan effectiveness while observing constraints taken into account in documented and undocumented form by Gosplan specialists is one of the most important tasks of those constructing models. The cardinal way out of the existing situation with the aim of obtaining sharply differing variants lies in improving the economic mechanism, including prices, the indicators for evaluating the activity of organizations, and wage-plus-bonus systems. The necessary steps should be taken along this avenue quite soon, taking into account the fact that the corresponding question has been resolved in principle by the theory of optimum planning, and in particular the theory of the breakdown of large systems.

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ECONOMIC MODELING AND COMPUTER TECHNOLOGY APPLICATION

WORK ON NATIONAL ECONOMIC CLASSIFICATION SYSTEM UNDERWAY

Moscow VESTNIK STATISTIKI in Russian No 5, May 80 pp 31-37

[Article by A. Kam[illegible]ev entitled "The Development and Introduction of All-Union Classifiers"]

[Text] The vast scope of the Soviet economy, its dynamic development and the fact that the intersectorial ties are becoming more complex make it necessary to further develop the system of economic classifications.

Widespread use of the modern resources of computer and organizational technology makes it necessary to create a compatibility of information among such ASUs [Automated Control Systems] on the all-state level as Automated Systems for Planning Calculations (ASPR), State Statistics (ASGS), Material and Technical Supply (ASMTS), Processing Price Information (ASOItsen), standardization and metrology, etc. This can be done by employing a centralized system of classification and coding of technical and economic information (YeSKK TEI).

The development and creation of a YeSKK TEI requires an in-depth analysis of the economic content of the classifications in effect at the present time, the exposure of the peculiarities of their makeup, a separation of similar and dissimilar units of the set being classified, and the establishment of limits for the use of any given classifications or their individual components at the corresponding levels of control. The application of uniform criteria for the corresponding aggregates of components being classified makes the solution of important problems easier and, first and foremost, facilitates the structural and quantitative coordination of accounting, statistical, planning and other indicators.

At the present time the development of the second stage of YeSKK TEI is already drawing to a close. During this stage a system of classifiers geared to the overall processing and coordinating of information on all control levels will be completed. The All-Union Classifier of Technical and Economic Indicators (OKTEP) has been assigned a special place, inasmuch as its main task is to guarantee the coding of indicators in conjunction with such all-Union classifiers created during the first stage of YeSKK TEI as the All-Union Classifier for Sectors of the National Economy (OKONKh), the System of Notations for State Administrative Bodies (SOOGU), the All-Union Classifier of Enterprises and Organizations (OKPO), the All-Union Classifier of Industrial and Agricultural Output (OKP), the System of Notations for Administrative and Territorial Divisions and Population Centers (SOATO), the System of Notations for Units of Measure (SOYeI), the All-Union Classifier of Professions and Jobs, all-union classifiers of projects and services in various sectors of the national economy, etc.

The completion of all the projects contemplated would allow for the intensification and expansion of the uniformity of information in the exchange of information among the various automated control systems. Experience shows that all-union classifiers guarantee a uniformity of designations for nomenclature of all items being classified. The all-union code excludes the process of recoding information when it is being sent to higher control bodies, and this makes it possible to process data arrays with various purposes and create conditions for an exchange of information among the sector, departmental, territorial and other automated control systems.

Many scientific collectives and organizations have been working recently on the problem of developing and creating a centralized data reference bank. There are a number of projects devoted to individual aspects of this problem. However, insufficient research has been conducted on many questions dealing with the methodology of developing classifiers, coordinating them with each other, using them efficiently in the technological processes of information processing and, in particular, of the automated management of classifiers.

It is also noteworthy that, in spite of the great amount of work performed recently on developing all-union notation systems for technical and economic information components, to date no significant reduction has been achieved in the amount of labor or cost involved in the classifiers being developed. Apparently, the main reason for this must be the absence of a full set of the methodological materials necessary for developing classifiers that would satisfy the present-day requirements for planning and managing the national economy. This leads to the fact that the development process being used by any organization is individualistic in nature. The developers determine the makeup of the input data and assess their qualitative and quantitative characteristics independently. As experience shows, this is especially characteristic for classifiers that contain a large body of nomenclature for the items. In such projects the most complex task is to determine which data are essential in order to arrive at the principle for developing the classifier. As a rule, therefore, the principle for development is not sufficiently reflected in existing methods for creating classifiers, and this makes the classifiers unstable and limits the period that they can function.

The establishment of a standard set of input data essential for developing any given classifier is a complex task, since a whole series of properties of each of them must be studied in order to complete it. In particular, one can point to the following such properties: the purpose of the classifier and the tasks to be performed based on it; the quantitative and qualitative makeup of the set being classified; the scope of the classification; the degree of dynamism of the components; the frequency of application of the classifier as the initial base, etc. There is still another no less important reason for the present state of affairs, and that is the inadequacy of the manual methods being used at the present time for planning economic classifiers, which are as complex as the very systems being developed. The attempts of certain organizations to use manual methods in developing such systems have not brought positive results. By way of example one can cite the development of the OKP, which lasted more than 10 years.

Experience has shown that in developing such classifiers as the OKP, the OKPO and others, it is essential to assume, on the one hand, the presence of a large body of nomenclature for the items included in the classifier and, on the other, a high degree of dynamism on the part of these items. When such characteristics are present, manual methods of development do not allow the appropriate correctives to be introduced directly into the classifiers. This makes it probable that unreliable data will appear in the classifiers even before their development has been completed.

The characteristics enumerated above pose the problem of constructing an efficient model for developing such systems. The outcome of the solution of this problem should be the creation of a defined set of formal rules for developing economic classifiers. These rules should include the set of methodological premises necessary for resolving the most important aspects of the classification and coding of the components of economic information.

Research shows that in systematizing the problems confronting the development of economic classifiers, one must begin by achieving three main goals: 1) an improvement in the qualitative properties of the classifiers, 2) a shortening of the planning periods, and 3) a guarantee that the information contained in the classifiers is reliable.

The basic category for research is the achievement of the first goal, since it is precisely this that determines the consumer properties of the classifiers, which are as follows: the body of problems to be solved with the help of classifiers; the fullness of the scope of the items being classified; the simplicity of correcting individual components of the classifier; the approximate length of the operating period, i.e., the vitality of the classifier; the informative nature of the code notations, their narrowest and broadest meaning, etc. In order to process statistical information, it is also important to consider whether or not the classifier is able to assemble and dissemble the data being processed on the various levels of the ASGS.

The second goal--to shorten the development periods of the classifiers--is connected with the need to use methods that permit the general development cycle to be shortened. An analysis of the data collected in studying the process of developing classifiers shows that the achievement of this goal is based on the introduction of three groups of measures.

The first group of such measures is connected with the development and use of an efficient organizational system for planning the classifiers. It is necessary to develop a standard model for this which includes a number of methodological premises that are coordinated with one another within the general program of research and planning projects. Moreover, the development of this model should include two stages: the pre-project stage or preparatory step; and the direct-planning stage.

The pre-project stage is the development of the technical target (TZ), in which the requirements and steps of work connected with the creation of the classifier are clearly spelled out. The project stage includes the development of methodological materials, the organization of the collection and processing of input data, and the compilation, confirmation and publication of the classifier. The step involving the development of methodological premises is the most important, since it also includes such aspects as working out general principles for the construction of the classifier, establishing spheres of application and a list of problems to be tackled, determining criteria for choosing items in the classifier, selecting classification features, developing methods for coordinating the classifier with other classification components of technical and economic information, and conducting estimates connected with the economic basis for utilizing the classifier in accounting, planning, statistics, and other areas of administration.

The second group is connected with solving the problem of using the resources of automation in developing economic classifiers. In addition to the guarantee of a rapid collection of information that characterizes the items being classified and rapid processing of it, and the guarantee of the efficient introduction of changes and the transport of them to the developers, there is also another reason for developing and introducing methods for automating the development process.

The fact of the matter is that at the present time there is a noticeable gap between the theory, within the framework of which the general program for drawing up plans for information systems is being developed, and engineering or economic practice in resolving concrete problems. One can assume that as the theoretical premises for the methodology of developing such systems are developed further, the methods will be continally improving; but at the same time they will become more complex, and thus less accessible for widespread "manual" application. Therefore it is extremely important to single out those sections of the projects which, because of their content, can be formalized and consequently can be carried out with the help of the resources of automation. In order to do this one must first compile a complete project catalogue to be used in developing classifiers, pick out the projects that contain components conducive to formalized description, and separate these components from those that are not conducive to being processed by machine. This will make it possible to systematize the data that characterizes each project and amass the necessary statistical material that will serve as a basis for producing a standard algorithm for an automated development of the classifiers.

The third group of measures is aimed at bringing about the use of modern principles for the organizational supervision of the development process. Experience has established that in developing classifiers that require a considerable number of projects that are dependent on one another in functional, organizational and other ways, network control models must be applied. Traditional control methods simply do not assure precise enough coordination of the actions of all the performing parts and the correct distribution of their functions, and they do not make it possible to obtain immediate data concerning the status of the projects at any given moment and predict their subsequent development with any degree of accuracy.

And finally, the achievement of the third goal--to guarantee that the information contained in the classifiers is reliable--is connected with the fact that the information bank of classifiers reflects the status of the items being classified which are, generally speaking, a function of time. All the changes that take place in the classifiers are a consequence of the objective process of the development of the national economy, as a result of which there is an elimination, accompanied by the appearance of new items and their structural transformation, subordination, territorial and sectorial affiliation change, etc.

Under these conditions the use of classifers depends to a large extent on the reliability of the data which they contain. It is for this reason that the need arises to constantly update the data and, consequently, to determine efficient methods for managing and correcting classifiers.

The resolution of the methodological aspects of constructing a classifier poses the task of studying the use of classifiers and their influence on the quality of processing statistical data. In order to do this, the set of indicators which quantitatively and qualitatively characterize the importance and significance should be determined not only by the economic nature of the items being classified, but also by such important characteristics as the degree of scope of the problems being solved, their conduciveness to machine processing, etc. In connection with this, the problem of actually mastering and using classifiers to process statistical information is no less urgent. Its urgency is caused by the fact that the consumers of the information systems and not the developers are those who characteristically take part in stage, and these consumers, as a rule, have not participated directly in developing the classifiers. In a number of cases this has led to a certain underestimation of the significance and importance of the classifiers in improving the processing of statistical information. As a result, the introduction of all-union classifiers has not as yet received widespread practical application. This is especially true of classifiers with great analytical capabilities that are built with the facet means of describing and presenting elements for classification.

In connection with this, in order popularize the capabilities of the classifiers and increase the effectiveness of their use, the functions of those services for managing all-union classifiers that operate within the system of the USSR CSA must be expanded to include the supervision of the introduction of classifiers, the compilation of the positive properties of any given classifiers and the delivery of them to the consumers. It would be advisable to assign this function to the head service for handling all-union classifiers of technical and economic information, the GVTs [Main Computer Center] of the USSR TsSU which, in our opinion, is organizationally and methodologically prepared to conduct such work. In this case, along with the tasks related to the direct management of classifiers, this service would also fulfill the function of supervising the use of classifiers and notation systems in processing statistical information.

The realization of such a proposal is based on the objective premises that there will be further improvement of the principles for introducing and developing classifiers. First of all, one should note here the experience already gained in using classifiers, not only in carrying out their basic function--the consolidation and establishment of a system of relations among the elements being classified--but also in improving the technology for processing statistical data. For example, it is well known that classifiers occupy a significant place in the creation of integral systems for processing statistical information that are based on modern methods of observing and storing data, and particularly on register forms of observation. Through the application of all-union classifiers, the possibility of using one designation to describe the items under observation is assured, and this is an essential condition for organizing the integral storage of data in the form of a centralized information file for the data base, where indicators that are related to one another in a certain way are stored as a unit but are accessible in various layers and can be used in the combinations required to resolve various problems. In this situation the logical structure of the data is provided by the user, but the physical organization is determined by the storage system itself.

The all-union classifiers also play an important role in the creation of a data reference bank (ISF) for data of the ASGS. They are forming an efficient system of code notations that are used in identifying the various components of ISF, in making them structurally unified and in standardizing them; they eliminate duplicate information and, as a consequence, they keep the volume and flow of statistical information to a minimum and cut down on expenditures for the organization of forming and operating the ISF.

Certain results have already been obtained toward achieving this goal. A general makeup for the ISF has been established; its components have been selected and systematized according to functional designation and type of use and formation; all-system, system and individual features used for solving statistical problems have been determined; and entire aggregates of reference data arrays and their descriptions have been prepared and formed accordingly. However, these projects are oriented basically to solving regulated problems belonging in particular to the complexes of electronic data processing (KEOI). On the other hand, for the remaining categories of problems--analytic, nonregulated ones of the data reference type, or those dealing with processing materials for one-time investigations and listings--the formulation and use of files of fixed constant information as a rule is organized autonomously.

In connection with this, there will be the big job of creating a centralized ISF geared to solving various problems and, consequently, the job of studying all of the varieties of fixed constant information and the appropriate means of describing them. Moreover, because of the functional versatility and frequency of its use, the creation of an ISF will require the standardization of the basic components of the data bank and the determination of its place in the general organizational system of data processing within the ASGS.

The reliable and efficient functioning of the automated system for managing all-union classifiers has prepared the conditions for experiments to use classifiers in one of the most important and labor-consuming stages of the technological process of information processing--the collection and transmission of data within ASGS. This particularly affects classifiers that contain simultaneously the functions of identifying items and assigning one or several features to them by way of classification. As a rule, such classifiers emerge in the role of language middleman among the various information systems.

During the processing of statistical information the role of language middleman might be played by the OKPO, which contains a standard set of information (an identification bloc, the verbal naming of items, and features) that is essential for the interaction among the various levels of ASGS. In this case the interaction will be realized through the identification bloc, which is the connecting link, since the search for and processing of information is done through the identification code of the enterprises and organizations. Such properties as the naming of the enterprise (organization) or ministry (department) being recorded, the territorial and sectorial affiliation of the item and their code notations can be obtained automatically, by a program, by turning to the classification bloc of OKPO, which is stored in the memory of the EVM [electronic computer].

In addition to the features that are contained in the OKPO, it is also advisable to store and activate in the memory of the EVM other fixed constant information necessary for solving accounting and statistical problems. Such information might include the following features: the legal status of an item; the location of the organization over it in the territory of a different republic, oblast, kray or ASSR; the double subordination of an item; the year that the enterprise went into operation; its address etc. In accordance with the hierarchical structure of ASGS, changes in this information would take place moving from the regional to the union level.

The plan for organizing the collection and processing of statistical information reviewed above allows for the simplification of the procedures for filling out the basic documents at their sources of origin; for transmitting, registering, controling and processing the data; and for the movement of this data within the system. Many of the procedures enumerated lend themselves to formal description and, therefore, can be realized with the help of the resources of computer technology. Thus procedures for registering and controling the entry of recording information, the completeness of filling out the documents, etc. can be realized with the help of EVM. In order that these procedures might be automated in the data bank of ASGS, which has been called upon to service functional subsystem statistics, data reference files that contain a list of the enterprises and organizations being recorded with their identification codes, and data about the quantity and types of forms on which they are recorded, should be formed and organized.

The introduction of the OKPO into the statistical calculation processes will serve as the basis for an intensive and comprehensive automation of the processing of statistical information. This, in turn, will permit the introduction of qualitative changes into the technology of problem solving and the raising of the realiability level of information being transmitted and processed, and will become a factor in improving the standardization of document forms.

The examples reviewed above for using classifiers point to their great analytical possibilities in organizing the improvement of the technology for processing statistical information. Consequently, the task consists of speeding up the mastering of classifiers and the process of putting these possibilities to widespread practical use. Thus, the development of all-union classifiers and the introduction of them into statistical projects is based on resolving methodologically and organizationally complex questions that are being examined from the position of the overall study of the tasks that confront the problem as a whole.

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REGIONAL DEVELOPMENT

DISCUSSION ON DEVELOPMENT OF SIBERIA, FAR EAST

Developing Far East Resources

Moscow TRUD in Russian 7 Feb 80 p 2

[Article by Academician N. Shilo, chairman of the Presidium of the Far East scientific center of the USSR Academy of Sciences and Hero of Socialist Labor, and V. Chichkanov, director of the Economic Research Institute of the USSR Academy of Sciences scientific center and professor: "Master Resources Completely"]

[Text] The Far East is the largest USSR economic region in territory. A considerable portion of the all-union output of fish and sea products, logging, and the production of cellulose falls to its share. The Far East occupies a leading place in the mining of gold, tin, zinc, and a whole number of other valuable types of raw materials. One of the most important national economic programs -- the building of the Baykal - Amur Mainline -- is being carried out here. Finally, the Far East is the country's gateway to the Pacific Ocean; it provides a considerable part of all the USSR's foreign economic ties.

The economy of the Far East is being developed successfully, even at higher rates than the economies of many other regions. However, this level does not correspond to the region's natural and raw-material capabilities, nor to the country's long-range requirements.

The need for an accelerated development of the Far East is undoubted. However, the problems facing it are rather complicated. The skilful combination of branch and territorial management principles is required here as nowhere else and a long-range and combined approach is needed.

What do the complexities in the development of the Far East consist of? First of all, expenditures for wages, construction, transport, and the infrastructure, including the social one, are considerably higher here than in the western part of the country because of natural, climatic and geographical conditions. Despite the enormous reserves of water, wood and the biological and mineral resources of the land and sea, economic results are not high because the branches are primarily extractive ones and their main effect is realised in other regions of the country where the products are sent.

Second, the natural riches of the region have still not been studied enough to make a decision and determine a program for the long term based on solid knowledge. At the same time, forecast estimates are extremely reassuring. The hypothesis is being expressed that in the future the Far East will occupy a leading role in the off-shore oil industry and provide a considerable share of the all-union oil and gas production.

The features of the kray's development give birth to difficulties in the coordination of branch, regional, and national economic interests. To explain our meaning, let us dwell on several specific problems of the Far East which arise because of the absence of a long-range combined approach.

As is known, the successful building of projects in the eastern sector of the Baykal-Amur Mainline, where the workers' train service was opened up a year ahead of time, and the formation of the Yushno-Yakutskiy territorial production complex will permit ensuring the transportation of coal for export in the near future. However, the main ports of Nakhodka and Vostochnyy are connected with the Trans-Siberian Mainline by a single-track railroad. Moreover, the Trans-Siberian Mainline which connects the Baykal-Amur with the ports of Primorskiy Kray has a high freight capacity but the ports in Khabarovskiy Kray have limited capabilities for expansion.

Only one way out of this situation is possible: the continuation of the Baykal-Amur Mainline to the south, to the ports of Primor'ye. This will permit the provision of a reliable second approach to the coast and the high maneuverability of the Far East railroad network. This solution seems to us to be the most optimum one. It is possible to use the already formed cadres of construction personnel and the existing equipment for the construction of this new section after the completion of work on BAM's eastern part. However, the Ministry of Communications and the Ministry of Transport Construction have not been able to solve this problem for a number of years-- as well as questions on the construction of a second route in the Uglovaya-Nakhodka sector, the reconstruction of Far East junctions which have become a bottleneck in the region's transportation network, and therefore an obstacle to its development.

Further. This may be paradoxical but -- despite the presence of enough fuel and energy resources -- a difficult situation has been created in the Far East with respect to the supply of fuel and energy. The reason is the significant lag in the construction of inter-system electric transmission lines. It would seem that the experience from the formation of the Yushno-Tadshikskiy and a number of other territorial production complexes teaches that the synchronous construction of electric stations and transmission lines connecting them with users is a necessary condition for the rational use of fuel and energy resources. However, the errors are being repeated in the Far East. The Zeyskaya GES and the Primorskaya GRES cannot use their capacities fully; and Khabarovsk, Vladivostok and Komsomol'sk-na-Amur are experiencing a shortage of electricity because the appropriate electric transmission lines are being constructed very slowly.

Up to now a modern base for the construction industry has not been created in the Far East. Without this, it is impossible to form not only new territorial production complexes but also to complete already begun production and social and living projects. It is estimated that -- with the existing state of affairs in construction -- they will not succeed in completing them in less than five years. Moreover, in order to provide a very rapid return on the capital investments used for the construction of the Baykal-Amur Mainline, it is necessary to speed up the development of the rich natural resources in the railroad's zone and form there new ore mining and smelting, wood and chemical complexes whose products are so necessary for the country's national economy.

It is impossible to solve this question without the creation of a qualitatively new construction industry which uses the latest scientific and technical achievements. Such experience already exists in our country. We have in mind the block-combined construction used for the development of the western Siberia oil field and other modern methods for organizing construction work. It is evident that the time has come to engage in this in the Far East. The main thing is uniting the efforts of all construction ministries, and not only the construction ministries. It is time to end the practice where each department creates a construction base only for itself. The problem can be solved only by organizing a unified and powerful construction industry base in each territorial production complex and in each industrial center.

Natural conditions in a number of rayon of the Far East are quite severe and labor resources are extremely short. Therefore, scientific and technical measures which will help to protect manpower are especially important for this region. A wise scientific and technical policy is capable of providing an economy in the Far East which is much bigger than in many other regions of the Soviet Union. A convincing example of this is the use of powerful bulldozers in the northeast part of our country. They increase labor productivity three-fourfold and therefore, permit hundreds of thousands of rubles to be saved.

Finally, a very important problem in the social and economic development of the Far East is the formation of labor reserves and the raising of the people's standard of living. In order to provide the developing economy of the region with personnel, it is necessary to attract workers from other areas of the country. Of course, this requires appropriations and quite a few. A lot of work is necessary at the development sites to create normal housing, cultural, and living conditions for the workers. However, these expenditures are justified. One cannot fail to consider that the losses, which we suffer in connection with personnel turbulence, exceed expenditures for public services and amenities many fold.

How can the Far East improve its contribution to the country's national economy? First of all, by increasing the extraction and full use of the resources in which the kray is rich--fish, fuel, light and rare metals, and wood. The losses in wood during all stages of supply and processing are now very great.

The transportation of timber costs approximately twice as much as the purchasing. The full use of these priceless riches will help to lessen losses and increase the return two-or-threefold. The effectiveness of the timber industry can be even higher if one takes into consideration the closeness of Pacific Ocean basin markets whose need for wood is very great.

The elimination of existing disproportions will make the economy of the Far East significantly more effective because it will free it of many unfavorable factors which have a temporary nature. A rise in the cost of construction and transportation can be avoided by eliminating the disproportion between the volume of projects being built and the capabilities of the construction base and those between the freight turnover and carrying capacity of the railroad network. The large losses in work time and personnel instability can be considerably decreased by improving the social infrastructure. The effect of this because of the growth in labor productivity will exceed by far the expenditures for raising the standard of living in the region. The actual supply of the Far East with highly efficient equipment, suitable for operating under the appropriate conditions, will permit many millions of rubles to be saved in attracting and securing personnel.

Only a combined long-range approach will provide an opportunity to find ways which will convert the economy of the Far East into a highly effective one.

Problems in Developing Siberia

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 80 p 5

[Article by G. I. Chiryayev, first secretary of the Yakutskiy CPSU Obkom: "Looking Closely at the Prospects"]

[Text] A deep look into the future -- this is one of the characteristic features of our party's economic policy. This is clearly displayed in the decisions on improving the economic mechanism. Increasing the role of long-range plans and the wide-spread use of program-special purpose methods coupled with the introduction of a system of scientifically sound norms are becoming the basis which permits raising the content of planning to a qualitatively new level. By developing this feature of the Leninist party style in the practices of directing the economy, the republic's party organization is approaching especially carefully the working out of thoroughly sound scientific prospects for the development of production forces and is using in this work the accumulated experience from the scientific substantiation of the primary directions.

What Do the Results Suggest?

Yakutiya is the largest mining region. Its contribution to increasing the country's riches is constantly growing. The primary production type is the mining of valuable and useful minerals which are in short supply for the country: gold, diamonds, tin, antimony, mica, and the richest gift of nature -- furs. The gas producing industry and the construction industry, including the production of the necessary materials, are building up their might here. Electrical energy is being developed at an accelerated rate. The food industry has been developed markedly.

During the last 15 years, the average annual growth rates of industrial production in the republic have reached 11.8 percent. Industry is now the primary branch of the economy. More than 80 percent of gross production falls to its share. Large deposits of many useful minerals, which form a solid addition to the known fuel, energy, and raw material reserves for the leading branches of industry, have been brought to light through the strenuous work of geologists and scientists over many years.

The large opportunities for increasing the effectiveness of production and the quality of work are the main reserve for increasing the republic's contribution to the country's economic development. I will cite the following figure. The share of manual labor in the industry of the republic is on the average equal to 39.5 percent. It is greatest in electric energy, coal mining, metal working, and the food industry.

Decreasing the gap between the mechanization and technical equipment levels of basic and ancillary operations and the arming of ancillary processes with modern work weapons is the primary way to solve the problem. Taking this into consideration, the obkom bureau of the party adopted a decree which defined a specific program for decreasing the share of manual labor in production, and the tasks of the republic's party, Soviet, trade union, and economic organizations in its implementation. In connection with the decisions of the November 1979 CPSU Central Committee Plenum, we have once again carefully analyzed the state of affairs and have come to the conclusion that it is necessary to strengthen organizational work sharply and raise exactingness on the carrying out of the planned measures.

The development of industry and its separate branches in Yakutiya is characterized by a substantial increase in the capital-labor ratio of labor. The fixed capital in the industry of the republic has appraoched two billion rubles. However, the growth of production still does not correspond to its material-technical equipping and capital-labor ratio and lags behind.

The more effective use of fixed capital and the reserves of raw material, fuel and materials is one of the urgent tasks of the oblast party organization, labor collectives, and all the organs for controlling industry. It is possible to solve it only by raising the shift system coefficient in the operation of equipment and lowering relative material expenditures and expenses on repair work.

The latter has special significance for the economy of our northern republic. The low service life and dependability of equipment under northern conditions is the genuine scourge of production effectiveness. The state annually suffers losses counted in the hundreds of millions of rubles because of the equipment's unsuitability for extreme nothern conditions. But the scope of the economic development of northern regions is growing.

We have been convinced that the USSR Academy of Sciences, the USSR State Committee for Science and Technology and the USSR Gosstroy, when developing a complex program for scientific and technical progress during the next 20 years, and the USSR Gosplan in the basic directions of the economic and social development of the USSR during the coming decade will fully consider the need for a complex technical arming of the decisive branches of industry in accordance with the requirements of production conditions in the north. One cannot put aside practical solutions; they pay for themselves with interest.

Proceeding From Scientific Foundations

During the past year, a scientific conference, devoted to a discussion of a long-term complex program for developing the republic's production forces, was held in Yakutsk. Its organizers -- the CPSU obkom, the Yakutskaya ASSR Council of Ministers and Gosplan, USSR Academy of Sciences scientific organizations, and the USSR and Russian federation Gosplans -- undertook a difficult task: look at the republic's economic prospects and evaluate them thoroughly proceeding from the need to raise the effectiveness of public production.

The work in forming the Yuzhno-Yakutskiy territorial production complex; the construction of the BAM-Tynda-Berkakit railroad with a branh to Neryungri; the completion of the construction of the Vilyuyskaya GES, the Yakutskaya GRES, and the mining combines of the diamond area in Aykhal and Udachnyy; the creation of new branches of industry -- gas extraction and cement; and the formation of the first large-scale base for the construction industry were very important events during the past decade in the life of the republic. This decade was noted for tempos and scales, which were the highest in the republic's history, in the technical rearmament of enterprises, and for new and important geological discoveries which permitted the mineral and raw material base of operating mining industry enterprises to be expanded considerably and the creation of new highly-efficient works to be started.

A discussion of Yuzhnaya Yakutiya must be special. It is a region with an exceptionally high concentration of valuable and useful minerals which is typical of few areas in the world. The creation of a coal complex is the first step in solving one of the largest problems in the formation of a territorial production complex which is unique in its capabilities and which is noted for its large production scales, multi-branch structure and high economic efficiency.

Here are the most favorable prerequisites for the creation of a new coal and metallurgical base capable of annually providing in the future up to 150 million tons of coking coal, up to 100 million tons of raw ore and 25 million tons of steel. The favorable combination of coking coal deposits, whose forecasted reserves are set at 40 billion tons, and very large iron ore deposits -- with generally forecasted ore reserves of 20 billion tons--provides the opportunity to organize production on these scales.

We are convinced that it is advisable to begin the creation of the country's new coal and metallurgical base in the area of Yuzhnaya Yakutiya during the 11th Five-Year Plan with the construction of enterprises to mine iron ore. During the next five year plan one can begin the construction of a first line metallurgical plant.

The advantages of locating a plant in Yuzhnaya Yakutiya is based on much scientific research. For example, the council for the study of production forces which is attached to the USSR Gosplan definitely speaks in favor of it in its work, "The Complex Problem in Developing the Economy of the Far East Economic Region, With the Allocation of the Yakutskaya ASSR, for the Period up to 1990." Minister of Ferrous Metallurgy I. P. Kazanets, in pointing out the need to construct a new metallurgical plant in the Far East, confirmed that its location is being tentatively planned for the Chul'man area of the Yakutskaya ASSR. Nevertheless there is, unfortunately, no single opinion on this question as yet.

The Decisive Factor

The experience from the economic development of the north teaches that transportation needs accelerated rates of development. The transportation system of Yakutiya, just as of all the country's northern zone, is still not sufficiently developed. This restrains the rates of the territory's industrial development, sharply lowers the effect from developing the natural resources, and inflicts large losses on the national economy. Whereas for the country as a whole the share of transportation expenses in the cost of items is 10-12 percent, in the north, including Yakutiya, it reaches 50-60 percent. In the struggle for production efficiency, the transportation factor is the decisive one here; therefore, the oblast party organization attaches exceptional significance to it.

The special role of transportation in the republic's life is determined primarily by the spot nature of the development of its territory, the enormous distances between regions and population centers, and by the fact that the provision of goods and the material-technical supply of enterprises and construction projects depend to a considerable degree on foreign deliveries. The per capita volume of transported freight in Yakutiya reached 171 tons in 1975 as opposed to 1.4 tons in 1940, - that is, it increased 122-fold.

The seasonal nature of the operation of transportation, moreover, leads to the unjustified freezing of large material stocks and financial assets in reserves, exerts a negative effect on satisfying the needs of the population for goods and on their living and cultural level, and disrupts the rhythm of production processes. The creation of increased supplies of valuable commodity stocks raises, in its turn, additional demands for transportation, warehouses, manpower, corresponding capital investments, and operating expenses.

The delivery of freight to the republic will grow -- and very quickly. The calculations of the Institute for Complex Transportation Problems which is attached to the USSR Gosplan and those of the Yakutskiy branch of the Siberian section of the USSR Academy of Sciences show that in 1980 the volume of delivered freight will reach five million tons and in the future will be seven-ten million as opposed to 3.8 million tons in 1975. Today's lines of communications and operating types of transportation equipment are not in condition to ensure the movement of this amount of freight. Even a significant increase in the carrying capacity of the main transportation trunkline -- the Lena River -- after the construction of a hydro-electric station on its supper reaches does not solve the problem.

In our view, only the construction of a railroad from Berkakit to Tommot and Yakutsk is a real and effective plan for reliably and regularly supplying the republic with material resources. Based on the calculations of the institutes of the USSR Gosplan, the Ministry of Communications and the Siberian section of the USSR Academy of Sciences, the cost of construction will be approximately one and a half billion rubles, and expenditures will be fully repaid by the annual decrease in operating expenses for transportation within six years.

We are moving the reconstruction of the Berkakit-Yakutsk-Magadan highway and the Yakutsk-Vilyuysk-Suntar road; the creation of conditions for the movement down-stream of mixed ("river-sea") navigation vessels on the Lena River from the port of Osetrovo; the construction and reconstruction of a number of river ports, moorings, docks, and trans-shipping bases; and the maintenance of appropriate depths in waterways to the category of primary tasks. It is necessary to replenish the Lena River steamship fleet, including with small tonnage and shallow draft vessels.

It is necessary to solve particularly complicated tasks on the path of the Northern Sea route in connection with the organization of year-round navigation. It is also necessary to strengthen the motor transport production technical base, increase the efficiency of motor pools, and improve methods for laying out and operating winter vehicle shelters.

Changes are also needed in air transportation which is so necessary for developing the northern regions of Yakutiya. Under the leadership of the party organization, a broad series of operations to improve the technical base, construct airfields, increase the quality of take-off and landing strips, and use aircraft with increased lifting capacity and efficiency and cross-country transport equipment for the tundra, is being carried out here.

When solving transportation problems, it is important to determine what must be hauled into Yakutiya. The experience from the construction of the Yuzhno-Yakutskiy coal complex showed that the delivery of prefabricated reinforced concrete items and metal structures in large sizes from other regions of the country leads to enormous economic losses. It is difficult to complete construction materials and structures because of different arrival times, damage and breakage, and their product list and series at times do not answer northern conditions and engineer, geological and seismic requirements. It is certainly not necessary to haul into Yakutiya what can be produced on the spot. This primarily refers to construction materials. The delivery of products from the light industrial structure plant, which is located in Krasnoyarskiy Kray and which produces apartment houses and civilian structures especially for the north, should be increased so that 30-40 percent of the output, produced by the plant, will be delivered to Yakutiya.

During the 10th Five-Year Plan, hundreds of millions of rubles are annually being directed toward the development of the national economy. This requires us to show special concern for improving the construction material technical base and expanding the output of construction materials and structures. In our view, it is advisable to develop the construction material and structure industry in Yakutiya by creating large highly mechanized and specialized enterprises in strong points which must be located mainly in areas of intensive development. It is also necessary to build up the capacity of wall material production.

In attaching large significance to the scientific justification of the propsects for the region's economic development, the CPSU obkom is not losing sight of the realization of the outlined plans. The industry of the republic completed the past year without lagging enterprises based on the sale of products. This is one of our primary achievements. However, there are also considerable shortcomings in the carrying out of the tasks assigned to us. Thus, a lag in carrying out individual tasks has been tolerated in a number of industrial, construction, transport, and trade enterprises and in agriculture. The rates for improving work quality do not suit us. The oblast party committee is now directing its main attention toward these questions and to the successful completion of the 10th Five-Year Plan.

Development of Western Siberia

Moscow TRUD in Russian 6 Jun 80 p 2

[Article by A. Lalayants, deputy chairman of the USSR Gosplan: "How a Complex Should Be Developed"]

[Text] It will hardly be an overstatement to say that over the last years Western Siberia has been one of the most important economic regions. It occupies a special place in our national economy based on rates of development, volume of capital investments assimilated annually, the emergence of a whole constellation of new cities and settlements, and primarily the ever growing level of gas and oil production. The country's primary fuel and energy base -- those words not only reflect the enormous importance of Western Siberia but also give a rather clear picture of what scale tasks have already been solved there and which are still waiting to be solved.

A total of 315 million tons of oil and 165 billion cubic meters of gas will be produced this year in the fields of the Western Siberian oil and gas complex. Growth rates are remarkable. Oil production in Western Siberia grew twofold during the 10th Five-Year Plan and gas -- fivefold. Hundreds of millions of tons of oil and hundreds of billions of cubic meters of Western Siberian gas helped us during the 9th Five-Year Plan and especially during the tenth one not only to make up the decrease in oil and gas production of the old oil and gas producing regions in the European part of the USSR and some other regions but also to ensure a tangible growth in these types of fuel on the whole for the national economy. It is important to note that these successes were achieved in a region with extremely difficult natural and climatic conditions in our country's north. L. I. Brezhnev talked about the development of Western Siberia during the 25th CPSU Congress: "That which has been done, that which is being done in this severe area, is a true exploit. And the motherland pays a tribute of admiration and deep respect to those hundreds of thousands of people who are performing it."

A new stage has now arrived in the development of the Western Siberian oil and gas complex. It is characterized by the fact that this region will remain a very important and decisive supplier of oil and gas to the national economy for the long-term.

Of course, the formation and development of a national economic complex of this enormous scale cause a number of important problems. Here are some of the -- in our view -- more important ones.

First of all -- the significant growth in the size of exploratory and operating drilling. It was planned to drill 11.3 million meters in 1980, and this indicator will increase almost twofold in 1985. The coming five-year plan, moreover, will be characterized with respect to Western Siberia by a considerable growth in the construction of producer roads with a hard surface (800-900 kilometers a year as opposed to the 261 laid in 1979), gas and oil lines, high voltage electric transmission lines, etc.

Just as in the 10th Five-Year Plan, the question linked to the construction of living quarters and social, cultural and service projects will remain the most urgent one. This means that it will be necessary to assimilate in short periods enormous capital investments for the construction of cities and workers' settlements in this region. The primary contract ministries-- the Ministry of Construction of Petroleum and Gas Industry Enterprises, the Ministry of Transport Construction, the USSR Ministry of Power and Electrification, the USSR Ministry of Industrial Construction, the USSR Ministry of Construction, and the USSR Ministry of Construction of Heavy Industry Enterprises -- must implement 3.5 billion rubles during each year of the coming five-year plan as opposed to the 1.8 billion rubles provided for construction and assembly work in the plan for 1980.

Preliminary calculations show that, even considering a significant increase in labor productivity, the number of workers in the petroleum and gas industry and Glavtyumengeologiya alone will increase to approximately 200,000 people. The number will also grow significantly due to the branches which supply basic production and construction.

This is why the CPSU Central Committee and the USSR Council of Ministers have planned a considerable expansion of the civilian construction program in this region. Whereas at the beginning of the current year well-built housing assets with all amenities were 2.3 million square meters in the regions of the oil and gas complex, it is planned to construct one million meters during the current year and another six million square meters during the following three years.

In order to solve these important questions, the government has planned to improve the production bases of construction organizations considerably, recruit manpower for them, and provide the necessary material resources and equipment. The outstanding initiative of construction organizations in the Ukraine, Belorussia, Latvia, Lithuania, Estonia and the cities of Moscow and Leningrad which have resolved to help Siberians in the construction of housing and social and cultural projects must play no small role in this. Over three years they have pledged to commission more than a million square meters of housing and, in addition, a number of social services and cultural projects.

There is another special task -- raising drilling efficiency. This determines both the production and the further growth of oil and gas reserves.

This is why the USSR Gosplan and interested ministries are developing a special purpose program for the technical rearmament of drilling work. This program provides for the conduct of a number of extremely essential measures. In particular, the USSR Ministry of Ferrous Metallurgy will be required to sharply improve the quality of produced petroleum - gauge pipes and considerably increase their production. The Ministry of Chemical and Petroleum Machine Building must in its turn raise the quality of drilling bits so that the cutting of the bit will increase 2-2.5-fold at a minimum. The Ministry of Heavy and Transport Machine Building must increase the output of more modern drilling rigs substantially and improve their quality. The Ministry of Chemical Industry will adjust in a very short period the output of chemicals for drilling solutions which would permit the breakdown rate to be sharply lessened and the speed of drilling wells to be increased.

The improvement of all types of transportation in this region has a lot of importance for the rapid development of the Western Siberian oil and gas complex. The program which the Institute for Complex Transportation Problems attached to the USSR Gosplan is working out--together with the Ministry of Communications, the RSFSR Ministry of the River Fleet, the Ministry of Maritime Fleet, the Ministry of Petroleum Industry, the Ministry of Gas Industry, the Ministry of Construction of Petroleum and Gas Industry Enterprises, the Ministry of Transport Construction, and other interested ministries and departments -- will help to solve this problem.

A number of measures, called upon to speed up the construction of motor vehicles roads in Western Siberia, are being provided for. However, the transportation problem is not confined to the building of roads. For the normal development of the complex, it is necessary to increase the freight traffic volume of railroads and rivers sharply. Last year 7 million tons were delivered over the steel rails and 16.0 million in river vessels. In 1980, these shipments must grow to 20 and 23 million tons respectively.

In the intensification of railroad shipments, the deciding word belongs to Ministry of Transport Construction collectives which must complete and put into operation the Surgut-Urengoy line. However, just as for river shipments, the role of the cargo owners -- the Ministry of Petroleum Industry, Ministry of Gas Industry, and especially Ministry of Construction of Petroleum and Gas Industry Enterprises organizations -- is of no small importance. In the past, mainlines have more than once been literally paralyzed because of a delay in freeing rolling stock. Only by clear-cut coordination between the Ministry of Communications and the RSFSR Ministry of the River Fleet will it be possible to avoid a dangerous accumulation of the material valuables sent to the Siberians.

The problem of transporting freight will also be solved to a considerable degree with the help of the Ministry of Maritime Fleet -- through the Northern Sea Route. The further development of air transport is also planned.

It is beyond all question that the scale of work being carried out in this oil and gas bearing region has reached such enormous dimensions that it forces one to think seriously about further improving control and planning in this region which is very important to the national economy. We are talking about the fact that it is necessary to eliminate unnecessary duplication in the work of construction, transport, repairs, and material bases and raise the effectiveness of using related production, especially for the output of construction materials and other items.

The USSR Gosplan and interested ministries have been developing since 1977 a special section in the national economic plan, in which the basic indicators (based on an expanded product list) for the development of production, construction and logistics support for all branches engaged in the oil and gas complex of Western Siberia, are provided. The experience of the past years has shown the vitality of this measure. It has permitted the coordination of planned tasks and the activity of numerous organizations to be ensured considerably better and control over the progress of work performance to be carried out better.

However, everything has not been solved yet. In particular, the need to include in this section of the plan indicators on the volume of cargo shipments sent to this region, has matured. Questions on setting output rates for light-weight construction structures for northern regions and for realizing the plans for material and technical supply and contract construction work require improvement. It is evident that the USSR Gossnab, the USSR Gosstroy and the USSR Gosplan must speed up the solution of these questions with a consideration for the decisions already adopted by directing organs.

Deliveries to Siberian Enterprises

Moscow EKONOMICHESKAYA GAZETA in Russian No 13, Mar 80 p 6

[Article by Yu. Nagorov, section manager of the Siberian Branch of the Scientific Research Institute for Economics and Organization of the Material and Technical Supply of the USSR Gossnab: "Deliveries for Northern Enterprises"]

[Text] The need to improve the work of supply organizations flows from party and government decisions on improving the economic mechanism. There are many unsolved questions here. Here is one of them.

The procedure now in effect for ordering production and technical items for enterprises, construction projects and organizations located in regions of the Far North with limited periods of navigation provides for manufacturing plants to complete the delivery of items during the first half of the planning year. However, an analysis of the delivery dynamics shows that the manufacture and dispatch of items to these regions is carried out as a rule from January to September inclusive.

In connection with this, it seems necessary to plan the manufacture of this category of production up to and including August. In doing this it is necessary to expand the role of the USSR Gossnab territorial organs in whose zone of activity the producing enterprises are located. Now, these organs as a rule only present summarized information on dispatching progress twice a month (on the 1st and 16th) to the appropriate USSR main supply and sales directorates, USSR Gossnab territorial organs where the recipients of the items are located, and the USSR Gossnab. The interests of the matter require that representatives of the USSR Gossnab territorial organs take part in the development of schedules for producing and dispatching these items and at the same time check on the availability of material resources, packaging materials, and packing.

The USSR Gossnab territorial organs can also contribute to the solution of such questions as the regulation of freight traffic, the timely approval of mixed transportation plans, and the issuing of orders and requisitions by USSR main supply and sales directorates and holders of capital. When reviewing production and dispatch schedules, the territorial organ workers can bring to light an opportunity to accumulate cargo in the sales warehouses of the given enterprise with the goal of subsequently dispatching the freight over the routes after having grouped cargoes from several enterprises at one station. This is especially important for cargoes being consolidated in ports on the Tyumen avenue where there are still no warehouse structures which permit accumulating volumes of cargo which would guarantee the loading of vessels at the start of a trip. In this case, it is important to accurately organize progressive and direct trans-shipment: railroad car - vessel, omitting the warehouse operations.

In our opinion, it is also possible to transfer all the bases and warehouses in the trans-shipment ports to the command of that territorial organ whose output that port primarily handles. These bases and warehouses can be transformed into sub-sorting ones. They will receive cargo from suppliers in conformity with it specific nature and prepare to ship it further on water transport.

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INTRODUCTION OF NEW TECHNOLOGY

STATUTE ON FORMATION, USE OF INCENTIVE FUNDS TO DEVELOP NEW TECHNOLOGY

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 80 pp 11-14

[Statute on the Policy for Forming and Utilizing Economic Incentive Funds in Scientific Research, Design, Planning-Design and Technological Organizations, Production Associations and Enterprises That Have Been Changed Over to the Cost Accounting (Khozraschet) System of Organizing Work for the Creation, Assimilation and Introduction of New Technical Equipment on the Basis of Order-Schedules (Contracts), approved by the State Committee for Science and Technology, the USSR Gosplan, the USSR State Committee for Labor and Wages, the USSR Ministry of Finance and the AUCCTU on 10 April 1980]

[Text] General Provisions

1. The present statute establishes a unified policy for the formation and utilization of economic incentives (material incentive funds, funds for socio-cultural measures and housing construction, the development fund) in scientific research, design, planning-design and technological organizations* of the ministries (departments) that have been changed over to the cost accounting (khozraschet) system of organizing work for creating, assimilating and introducing new technical equipment** on the basis of order-schedules (contracts).

In production associations and at enterprises*** of ministries (departments) that have been changed over to the cost accounting (khozraschet) system of organizing work for creating, assimilating and introducing new technical equipment on the basis of order-schedules (contracts), for bonuses for workers who participate directly in the creation, assimilation and introduction of new technical equipment, additional deductions are made into the material incentive fund under the policy established by the present statute.

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*Hereafter scientific research, design and planning-design organizations will be called "organizations."

**New technical equipment is understood to mean also measures for the introduction of scientific organization of labor.

***Hereafter production associations and enterprises will be called "enterprises."

2. In scientific production associations economic incentive funds are formed and utilized in keeping with the statute on the policy for the formation and utilization of economic incentive funds of scientific production associations, which was approved by the State Committee of the USSR Council of Ministers for Science and Technology, and the State Committee of the USSR Council of Ministers for Questions of Labor and Wages in conjunction with the USSR Gosplan and the USSR Ministry of Finance and with the agreement of the AUCCTU, on 19 July 1976, No. 16/11.

3. The peculiarities of the application of the present statute in individual ministries (departments) are determined by the corresponding ministries (departments) of the USSR and the Councils of Ministers of the Union republics, with the agreement of the USSR State Committee for Science and Technology, the USSR State Committee for Labor and Social Problems, the USSR Ministry of Finance and the AUCCTU.

The Formation of Economic Incentive Funds

4. The main sources for the formation of incentive funds (the material incentive fund and the fund for socio-cultural measures and housing construction) of organizations, and additional deductions into material incentive of enterprises are:

a) deductions from profit formed at enterprises and scientific production associations of the branch as a result of actual reduction of the cost of production (the performance of work) as a result of the utilization of solutions for the introduction of new technical equipment that has been proposed by organizations, scientific production associations and enterprises.

The deductions are made according to a unified normative established for the branch during the course of three years from the beginning (months) of the introduction of the new technical equipment. When there is an established planned (normative) time period for the assimilation of new technical equipment, the deductions begin to be made at the time of its exploitation.

Additionally, the sum of deductions in the first year is determined from the amount of annual economic effect that was obtained, and in subsequent years—from its increases compared to the preceding year. Accordingly, the plan for profit in the first year of the introduction of the new technical equipment reflects the total sum of the reduction of production costs, and in subsequent years, the amount by which the reduction of the production cost increases as compared to the preceding year.

With the permission of the ministry (department) when developing and introducing new technical equipment for individual and small-series production, deductions can be made for the course of two years, based on the annual economic effect calculated according to the actual volume of output of the products during the first and second year, when new technical equipment has been introduced into production. Here, in the plan for profit the reduction of costs of production (performance of work) during the first and second year of the introduction of new technical equipment is determined in comparison to the base year;

b) deductions from additional profit that has been obtained by the enterprises and scientific production associations of their branch and other branches as a result of incentive increments to wholesale prices for highly effective new products which correspond in their parameters to the best domestic and foreign models and for products with the State Emblem of Quality. Deductions are made throughout the entire period when these incentive increments are in effect.

5. Deductions into incentive funds of organizations (the material incentive fund of enterprises) of a given ministry (department) for new technical equipment that has been created and introduced with the help of workers from other ministries (departments) are made in an amount that is reduced by the sum of incentives paid to these workers, which is used to reimburse the corresponding source of financing.

6. As additional sources for the formation of incentive funds for organizations (deductions into the material incentive fund of enterprises) one uses money that has been invested by an individual construction site in the estimated cost of scientific research, design and technological work:

a) for work for creating systems and complexes of equipment, installations, aggregates and machines, using equipment produced by industry, the economic effect of whose assimilation and introduction at enterprises of a given ministry or other ministries (departments) is not reflected in the form of profit from an actual reduction in production costs or additional profit from increments to wholesale prices.

The sum of funds included in the estimated cost is determined depending on the amount of guaranteed annual economic effect* and is refined after the receipt and evaluation of the work that has been performed. A list of such jobs for each organization (enterprise) is established by the ministry (department)*;

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*The guaranteed economic effect is that which is expected, agreed upon by the producer and client (consumer of the results of the development), the economic effect calculated on the basis proportional effectiveness of the new technical equipment that is guaranteed by the producer and the volume of its introduction that is guaranteed by the client.

b) for work for creating new and improving technological processes that is performed on orders of enterprises and organizations of other ministries (departments)**, the introduction of the new technology will take place in the ministry (department)-clients (consumers).

The sum of funds included in the estimated cost is determined from the amount of guaranteed annual economic effect and is refined after the receipt and evaluation of the work that is performed;

c) for work, the results of whose utilization is not reflected in the form of economic effect. They can include:

individual jobs for creating, assimilating and introducing unique single models of new technical equipment based on the utilization of the latest achievements;

the development of new technical equipment especially intended for export;

work for creating, assimilating and introducing machines, instruments and equipment and materials that are intended for replacing imported products;

the development of standards and the performance of technical and economic research in keeping with assignments of the state plan for economic and social development of the USSR and plans of the ministries (departments);

work for protection of the environment (the earth's resources) and improvement of working conditions and technical safety;

scientific research in the area of scientific and technical information;

work for increasing the reliability of products that are produced;

the development of branch automated control systems.

The list of these jobs and their volume for each organization (enterprise) are established by the ministry (department). Additionally, on the whole for the ministry (department) the volume of the aforementioned work should not exceed 20 percent of the annual volume of scientific research, design and technological work.

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*This policy applies to unionwide and union-republic ministries (departments) under the jurisdiction of the council of ministers of a union republic, which do not have unionwide agencies of the same name.

**In this case the enterprises and organizations of the other ministry (department) do not include enterprises and organizations of republic ministries (departments) that are under the jurisdiction of a union-republic ministry.

7. Deductions into the incentive funds of organizations (material incentive fund of enterprises) for each job are made only from one of the sources indicated in points 4 and 6 of the present statute.

For developments which result in the creation and introduction of new technical equipment and new products, the deductions can be made individually for each actual economic result from their introduction, correspondingly, in the form of reduction of production costs and in the form of profit from increments to wholesale prices for highly effective new products and products with the state Emblem of Quality--under the policy stipulated by subpoints "a" and "b" of point 4 of the present statute.

8. The calculation of the economic effect obtained as a result of the performance of work for the creation, assimilation and introduction of new technical equipment is carried out according to new branech methods (instructions) which have been developed on the basis of the methods for determining the economic effectiveness of the utilization in the national economy of new technical equipment, inventions and efficiency proposals, which were approved by a decree of the State Committee of the USSR Council of Ministers for Science and Technology, the USSR Gosplan, the USSR Academy of Sciences and the State Committee for Inventions and Discoveries under the USSR Council of Ministers of 14 April 1977, No. 48/16/13/3.

The economic effect from work for scientific organization of labor is calculated in keeping with the methods for determining the economic effectiveness of measures for scientific organization of labor and control of production, approved by the USSR State Committee for Labor and Social Problems with the agreement of the USSR State Committee for Science and Technology and the USSR State Committee for Inventions and Discoveries. Until its publication the economic effect from measures for scientific organization of labor will be determined according to the methods approved by the State Committee of the USSR Council of Ministers for Labor and Wages of 28 July 1970.

The calculation of the economic effect from the production and utilization of new technical equipment is coordinated with the client (consumer) of the development. When they agree, they confirm the improvement of the technical and economic indicators of the new technical equipment (productivity, durability, operation expenditures, proportional expenditure of materials, fuel, energy and so forth). The client (consumer) of the development is obligated to agree within a month as to the amount of the economic effect and if he refuses to agree, he must notify the producer of justifiable reasons for refusal within the same time period.

9. The amounts (normative) of deductions into incentive funds of organizations (the material incentive fund of enterprises) are determined in the following way:

for work intended for the development of new and improvement of existing technological processes (subpoint "a" of point 4 of the present statute)--according to the normative in percentages of the amount of the economic effect obtained from the introduction of the results of this work. The normative for the deductions is proved by the ministry (department) with the agreement of the USSR State Committee for Science and Technology, the USSR State Committee for Labor and Social Problems, the USSR Ministry of Finance and the AUCCTU. Within the limits of the established norm, the deductions can be differentiated by the ministry (department) depending on the scientific and technical level, the national economic significance and the labor-intensiveness of the work that is performed. Here the amounts of the deductions (in percentages of the sum of the economic effect) should not exceed the amount of the norm established for the ministry as a whole;

for work intended for the creation, assimilation and introduction of new products (subpoint "b" of point 4 of the present statute)--according to norms established for the distribution of additional profit that has actually been obtained as a result of incentive increments to wholesale prices for highly productive new products and products with the state Emblem of Quality;

for work intended for the creation, assimilation and introduction of new technical equipment (subpoints "a" and "b" of point 6 of the present statute)--in the amounts established by point 14 of the decree of the USSR Supreme Council of the National Economy of 25 August 1964, No. 81, depending on the economic effect that was attained;

for jobs indicated in subpoint "c" of point 6 of the present statute--up to 20 percent of the wage fund deducted for the time period established by the plan for the development for salaries and wage rates of people participating directly in the work who are not stipulated in the plan. The deduction of the wage fund for workers who have a scientific degree is made according to the maximum salaries of the corresponding workers who do not have a scientific degree.

The amount of funds included in the estimated cost of each job is determined with the agreement of the client, depending on its significance, degree of innovation and labor-intensiveness and is stipulated in the order-schedule ((contract) for conducting it. These funds are formed by the developer after a positive evaluation and receipt by the client of the results of the work that has been performed.

10. In those cases where the work for creating, assimilating and introducing new technical equipment is done by several organizations and enterprises, the overall sum of funds deducted for it under the established policy into the funds of organizations and enterprises participating in the work is distributed among them according to their shared participation which is determined from the volume, complexity and kind of work that is performed, as a rule, in the following amounts in percentages of the overall sum of deductions for the work:

Table.

Kinds of Work			
Research, planning-design work	Technological jobs and work for preparing industry	Work for assimilation and organization for producing new technical equipment	Total
20-40	20-40	30-50	100

Based on the specific nature of the work that is done, the organizations (enterprises) can, when they agree among themselves, established other amounts for the distribution of the overall sum of deductions among the producers.

The specific amount of money going to each of the participants in the creation, assimilation and introduction of new technical equipment is stipulated in the order-schedule (contract) for the performance of the work or in another planning document that is improved by the higher organization. When the completed work is received and after it is introduced, the amount of money obtained by each participant is made more precise.

In those cases where the producer or coproducer of the work is an organization or enterprise that has not been changed over to the cost-accounting (khozraschet) system of organizing work for the creation, assimilation and introduction of new technical equipment, incentive funds due to them in keeping with shared participation are not allotted. The workers of these organizations and enterprises are awarded bonuses according to provisions that are in effect for them. The overall sum of funds intended for incentives for participants in the creation, assimilation and introduction of new technical equipment is calculated in this case in an amount that is reduced by the sum that is intended for shared participation for organizations and enterprises that are producers and coproducers and have not been changed over to the cost-accounting (khozraschet) system.

In cases where higher educational institutions participate in scientific and technical developments, incentive funds are allotted to them under the policy established by the decree of the State Committee of the USSR Council of Council of Ministers for Questions of Labor and Wages and the AUCCTU of 28 April 1967, No. 215/P-11, if incentives are not provided for this work under other provisions that are in effect. Disputes about the distribution of funds among performers of the work are resolved by their higher organizations.

11. The funds formed in keeping with subpoints "a", "b" and "c" of point 6 are deducted into the incentive funds of organizations and the material

incentive fund of enterprises that are producers and coproducers after the receipt and evaluation of the work that has been performed.

12. In ministries (departments) a centralized bonus fund is formed for the creation, assimilation and introduction of new technical equipment.

The organizations (enterprises) deduct into this fund up to 20 percent of the fund intended for the formation of incentive funds or organizations (additional deductions into the material incentive fund of enterprises) in keeping with subpoint "a" of point 4 and subpoints "a" and "b" of point 6, and also funds intended for the formation of economic incentive funds of organizations (enterprises) in keeping with subpoint "b" of point 4 of the present statute.

The specific amounts of deductions into the centralized bonus fund for the creation, assimilation and introduction of new technical equipment are determined by the ministries (departments).

13. The centralized bonus fund is used:

for incentives for workers of organizations and enterprises to perform fundamental, theoretical and investigatory work;

for incentives for workers to create, assimilate and introduce new technical equipment which has a social, technical or other kind of effect besides economic;

for increasing to 25 percent the amounts of incentives, for the creation, assimilation and introduction of new technical equipment whose utilization significantly reduced the labor-intensiveness of production, and primarily in jobs with difficult and harmful working conditions;

for increasing by 25 percent the amounts of incentives for the creation, assimilation and introduction of new technical equipment intended for export or for replacing imported products;

in other areas to stimulate workers of subdepartmental organizations and enterprises for the organizations and enterprises for the creation, assimilation and introduction of new technical equipment earmarked by the ministries (departments).

Money from the centralized bonus fund is deposited in the material incentive fund of the head organization (enterprise)-developer, which distributes it among all organizations (enterprises) that are producers of the development, based on their shared participation in the creation of the corresponding new technical equipment.

14. Of the sum of funds going for the formation of incentive funds of organizations, according to subpoint "a" of point 4 and subpoints "a," "b" and "c" of point 6 of the present statute, after the deduction of a certain

portion into the centralized bonus fund of the ministry (department)--60 percent is deposited in the material incentive fund and 40 percent, into the fund for social and cultural measures and housing construction.

Of the funds that are at the disposal of the organization, in keeping with subpoint "b" of point 4 of the present statute, after deductions into the centralized bonus fund of the ministry (department)--60 percent is deposited in the material incentive fund, 30 percent--into the fund for social and cultural measures and housing constrution, and 10 percent--into the development fund.

15. In addition to the funds indicated in points 4 and 6 of the present statute, the following funds are deposited into the material incentive fund of organizations and enterprises for special-purpose bonuses for the creation, assimilation and introduction of new technical equipment;

a) funds allotted by the ministry (department) from the centralized bonus fund for the creation, assimilation and introduction of new technical equipment;

b) funds (particularly those designated for material incentives) coming in in keeping with agreements for the submission of the results of scientific and technical developments to the enterprises and organizations of other ministries (departments) and for rendering them assistance in utilizing advanced practice, in keeping with the decree of the USSR Council of Ministers of 27 August 1971, No. 604;

c) part of the sums of temporary increments to prices for new consumer goods of improved quality in keeping with the instructions for temporary prices for new consumer goods of improved quality approved by the USSR State Committee for Prices, the USSR Gosplan and the USSR Ministry of Finance, with the agreement of the USSR State Committee for Standards, the USSR Ministry of Trade and the USSR State Committee for Labor and Social Problems of 13 May and 13 June 1977, No. 10-15/1444; ni-25-b; 36;

d) funds obtained in the form of bonuses for competition designs (research and development);

e) funds from other provisions that are in effect in keeping with the established policy for their formation and utilization.

16. In cases where the time period for the development and industrial assimilation (production) of new technical equipment exceeds two years, incentives can be given in the form of an advance by including the corresponding funds in the cost of the scientific research, design and technological work that is performed.

In this case the amount of these funds in the estimated cost is determined for the scientific and technical development as a whole, based on the guaranteed economic effect from the utilization of its results in the national economy, and should not exceed 30 percent of the sum of deductions intended for the material incentive fund of the organizations and enterprises.

17. For developments that are stimulated through sources stipulated in point 4 of the present statute, incentive funds in the form of an advance are provided for in the order-schedule (contract) of the individual construction project in the estimated cost of the work that is performed.

The client that finances the head organization (enterprise)-developer takes these funds into account for a subsequent cost increase with the transfer of the funds into the incentive fund, in keeping with point 4 of the present statutes.

The advances that are paid are retained by the enterprise that is introducing the results of the development in equal portions over the course of two years for the funds intended for transfer into the incentive fund of the developer. The withheld funds are used to augment the sources which are used to finance the development (correspondingly, in the unified fund for the development of science and technology, the fund for the development of production or the income of the state budget if the development is financed through capital investments or the state budget).

18. For developments that are stimulated through sources stipulated by point 6 of the present statute, incentive funds in the form of advances are formed by the developer in an amount of no more than 30 percent of the overall sum of funds intended for incentives for the development as a whole, and the remaining 70 percent--after the receipt and evaluation of the work that has been performed.

19. The permission to include the estimated cost of research and development incentive funds in the form of advances is granted by the ministry (department) having jurisdiction over the developer, and if the work is done on order by an organization or enterprise of another branch, with the agreement of the client of the development.

If individual producers have coproducers, the head organization (enterprise) gives them permission to form incentive funds as advances within the limits of the amount stipulated for incentives for a given job.

The amount of the funds intended for incentives in the form of an advance for producers and coproducers of work is determined from the volume and complexity of the work that they perform and should not exceed 30 percent of the funds that are intended for them to be deposited into the material incentive funds for the creation and development as a whole.

20. The funds intended for incentive in the form of an advance are deposited in the material incentive fund of the organization (enterprise)-developer.

21. In cases where the producers or coproducers of the development are organizations or enterprises that have not been changed over to the cost-accounting (khozraschet) system of organizing work for the creation, assimilation and introduction of new technical equipment, incentive funds are not given to their workers in the form of an advance of the head organization (enterprise)-developer. The workers of organizations and enterprises that are producers and coproducers of development but have not been changed over to this system are given bonuses in keeping with provisions that are in effect for these organizations and enterprises.

22. In cases where the actual economic effect turns out to be lower than that guaranteed by the developer, the excess part of the funds obtained for incentives in the form of an advance are returned to the client from the material incentive fund of the developer. The funds that are returned are deposited by the client from the material incentive funds of the developer. The funds that are returned are deposited by the client in the unified fund for the development of science and technology of the ministry (department), and if there is no such fund or if the development has been financed through capital investments or the state budget--into the income of the state budget. The excess part of the funds obtained by the producer (coproducer) for incentives in the form of an advance are returned to the head organization (enterprise)-developer.

23. Deductions into the incentive funds of organizations (the material incentive fund of enterprises) in keeping with subpoint "a" of point 4 of the present statute are envisioned in the annual financial plans of the enterprises and scientific production associations that are introducing the results of the corresponding work.

The sums of the incentive funds of the organizations (the material incentive fund of the enterprises) formed from other sources stipulated by points 4 and 6 of the present statute and also funds coming in from the centralized bonus fund for the creation, assimilation and introduction of new technical equipment are taken into account in the calculations when drawing up the planned estimates for the formation and expenditure of incentive funds.

When the actual economic effect that is achieved is greater than that guaranteed by the developer, additional deductions are made into the incentive fund of the organizations (material incentive fund of the enterprises), depending on the amount of the additional effect. Then the increase in the deductions, in keeping with subpoint "a" of point 4 of the present statute are made from and within the limits of the actually obtained above-planned profit (above-planned reduction of losses) of the enterprise.

24. The fund for the development of the organization is formed from:

a) funds included by an individual construction project in the estimated cost of the work performed on the basis of economic agreements and order-schedules, in the amount of 1.5 percent of the guaranteed annual economic effect from the utilization of the new technical equipment in the national economy (for the client), whose receipt is guaranteed by the developing organization, but not more than 6 percent of the estimated cost of the work. The calculated amount of the annual economic effect is refined when the client receives the work.

These funds are envisioned in the estimated cost of those jobs for which the guaranteed economic effect from the utilization of their results in the national economy exceeds their estimated cost 2-fold and more;

b) 75 percent of the sum by which income exceeds expenditures (profit) for scientific research, design and technological jobs that are performed under economic contracts and order-schedules.

The calculation of the sum by which income exceeds expenditures (profit) is carried out in keeping with the effective provision, within the limits of the actual balance profit;

c) funds obtained from the sale of excess and unused property which is included in the fixed capital, minus expenditures involved in selling it;

d) funds obtained from incentive increments in keeping with point 14 of the present statute;

e) funds, including foreign currency, obtained from the sale of licenses for inventions that have been made by the given organization.

25. The policy for depositing funds into economic incentive funds of organizations and enterprises for work for the creation, assimilation and introduction of new technical equipment, the coordination of the calculations of the economic effect and the documentation of advances and filling out forms is determined by the ministry (department).

26. The calculation of the economic incentive fund is carried out under the policy of the USSR Ministry of Finance and the USSR Central Statistical Administration with the participation of the USSR State Committee for Science and Technology and the USSR State Committee for Labor and Social Problems.

The Utilization of Economic Incentive Funds

27. Money from the material incentive fund and the fund for social and cultural measures and housing construction is used, by a joint decision of the administration of the organization and the trade union committee keeping with the estimate they approved.

The drafts of the estimate for the expenditure of the incentive funds must be submitted for the consideration of the labor collectives, and after they have approved them under the established policy, they are appended to the collective agreement. The administration and the trade union committee inform the workers and employees about the utilization of these estimates within the time periods stipulated by the collective agreement.

29. When drawing up estimates for the expenditure of the material incentive fund, including residuals of the fund from the past year, the administration and trade union committee provide for its utilization in the following basic areas, indicating the specific sums for each category of worker on the personnel roster;

a) for awarding bonuses to workers for the creation, assimilation and introduction of new technical equipment;

b) for awarding bonuses for the fulfillment of quarterly subject plans (plans for new technical equipment). Here the bonuses for managers, engineering and technical personnel and employees of the administrative staff of the organization for the fulfillment of quarterly subject plans are, as a rule, no more than 10 percent of the funds, and if they have fulfilled the quarterly subject plans (plans for new technical equipment) bonuses are also awarded to other workers of the subdivision that are not part of the administrative staff, so that for these purposes one allots, as a rule, no more than 30 percent (including the aforementioned 10 percent) of the funds that come into the material incentive fund in keeping with points 4 and 6, subpoint "a" of point 15 and point 20 of the present statute;

c) for awarding bonuses for the results of socialist competition, the results of inspections and other competitions that are intended to increase the efficiency of the work of the organization;

d) for one-time incentives for individual workers to perform especially important production assignments;

e) for the payment of remunerations for the overall results of the work according to the totals for the year for workers of the organization, and also other workers under the established policy.

The provisions for the policy and conditions for payment of remunerations for the overall results of the work according to the totals for the year are proved by the manager of the organization in conjunction with the trade union committee, taking into account the recommendations established by the decree of the USSR State Committee for Labor and Social Problems and the AUCCTU of 8 July 1977, No. 217/P-9;

for rendering one-time assistance to workers;

f) for paying workers for regular vacations in an amount that corresponds to wages that are paid from the material incentive fund and rayon coefficients to bonuses that are deducted from this fund;

g) for the payment of bonuses and incentives for other achievements in work.

The specific areas for the utilization of material incentive funds are determined by the administration of the organization in conjunction with the trade union committee.

29. With the fulfillment and overfulfillment of annual subject plans or plans for new technical equipment, the amounts of the remuneration for all categories of workers for the overall results of the work of the organization according to the results for the year can be increased with free residual funds from other items of the estimate for the material incentive fund, in addition to the funds that are designated in the estimate for this purpose. Then part of the funds intended in the estimate for awarding bonuses to managers, engineering and technical personnel and employees under the established bonus system for the fulfillment of quarterly subject plans or plans for new technical equipment, but have not been spent during the course of the year because of the failure to fulfill quarterly plans, should be deducted in an amount of no less than 25 percent into the reserve of the organization and can be utilized under the established policy for material incentive in the following year. The specific amount of the funds subject to being reserved is determined by the manager of the higher organization, taking into account the difficulty and the condition for the fulfillment of the planned assignment.

When the annual subject plan (plans for new technical equipment) are not fulfilled, the remunerations of the results of the work during the year is paid in reduced amounts, within the limits of the material incentive fund minus payments that are made in the course of the year.

The specific amount by which the remunerations are reduced according to the results of the work for the year are established for management workers of the organization by the manager of the higher organization with the agreement of the corresponding trade union committee, and for workers of the organization--by the manager of this organization with the agreement of the corresponding trade union committee.

When there is a failure to compensate for an overexpenditure of the wage fund which is calculated in percentages of the fulfillment of the plan, the remuneration paid in organizations to management workers for the overall results of the work of these organizations according to the total for the year is reduced to 50 percent.

30. One-time incentives can be given both in the form of monetary remuneration and in the form of gifts.

Bonuses, incentives and remunerations paid from the material incentive fund are included in the average earnings of workers, except for funds spent for rendering one-time assistance and acquiring gifts. When calculating the average earnings for payment during the time of a business trip, the performance of state and public duties, and other cases, when the average earnings are calculated in keeping with the decree of the USSR People's Commissariat of Labor of 2 April 1930, No. 142 "On the Average Earnings and Payments for Part of a Month," one includes in the earnings for each month one-twelfth of the remunerations for the overall results of the work that are paid for the preceding calendar year.

31. In the estimate for the expenditure of the fund for social and cultural measures and housing construction, it is recommended that primarily the following basic areas be used, taking into account the implementation of the primary social tasks of the labor collectives.

a) the construction (shared participation in construction) of residential buildings, children's institutions, dispensaries, clubs, sports structures and other facilities for cultural and domestic purposes;

b) the repair of residential buildings and facilities for cultural and domestic purposes, the acquisition of supplies, equipment, fittings, specialized means of transportation for the aforementioned facilities, and so forth;

c) the conducting of health measures, including the acquisition of medicines, and passes for recreation and therapy that are granted under the conditions for granting passes at the expense of state social insurance funds and funds from the trade union budget;

d) the conducting of cultural-educational and physical culture measures, the acquisition of visual aids for political agitation;

e) reduction of the cost of food in dining rooms and snack bars of the organizations and improvement of the nutrition for children in kindergarten, pioneer camps and health camps, and also workers that are under treatment in convalescent homes;

f) other purposes envisioned by measures for the social development of labor collectives.

The specific direction for the utilization of the fund for social and cultural measures and housing construction are determined by the administration of the organization in conjunction with the trade union committee.

As a rule, one can utilize 8-9 percent of the fund for social and cultural measures and housing construction of a given organization for partial reimbursement of expenditures on maintainance of facilities for cultural and domestic purposes and pioneer camps.

32. Part of the money from the material incentive fund can also be used for housing construction and social-cultural measures.

Incentive funds can be used to render non-reimbursable materialist systems and partial repayment of bank credit for cooperative and individual housing construction by workers of the organizations.

All residential space constructed with money from the fund for social and cultural measures and housing construction is entered on a list that is approved by a joint decision of the administration and the trade union committee, with subsequent notification to the executive committee of the soviet of peoples' deputies.

For buildings that are constructed with money from the fund for social and cultural measures and housing construction of the organizations by the gorispolkom under the policy of shared participation, these organizations allot the gorispolkom no more than 6 percent of the dwelling space for resettling citizens from buildings that are to be torn down because the plots of land are no longer to be used for housing construction, and up to 2 percent--for granting work space for workers who are directly engaged in servicing and operating the housing fund.

33. The fund for the development of the organization is used for financing capital investments and also for financing measures for improving the quality of work, scientific organization of labor and technical equipment for working positions.

34. Money from economic incentive funds is used strictly for its intended purpose. Unutilized residual funds are carried over to the following year and can not be removed. These residuals are expended in the following year under the policy established by the present statute.

35. Additional deductions into the material incentive fund of enterprises are used for awarding bonuses to workers in keeping with the standard provisions for awarding bonuses to workers of scientific research, design, planning-design and technological organizations, production organizations and enterprises that have been changed over to the new system of planning, financing and economic stimulation of the work for new technical equipment, approved by a decree of the USSR State Committee for Labor and Social Problems and the AUCCTU of 30 January 1978, No. 31/P-2.

Methodological Instructions on the Policy for Exercising State Supervision over the Observance of Requirements for Products that are Included in the Highest Quality Category and the Application of Sanctions for the Violation of Requirements for the Certification and for the Quality of Products for Which Incentive Increments to Wholesale Prices Have Been Established, approved and put into effect by a decree of the USSR State Committee for Standards of 19 March 1980

Effective 1 July 1980.

The present methodological instructions have been developed on the basis of the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, "On Improving Planning and Stepping up the Influence of the Economic Mechanism on Increasing the Efficiency of Production and Quality of Work" and the statute on the USSR state standard which was approved by a decree of the USSR Council of Ministers of 17 September 1973.

The methodological instructions are mandatory for agencies of the State Committee for Standards and also for enterprises, organizations and associations, regardless of their departmental jurisdiction, where there is state supervision of the observance of requirements for certification and the quality of certified products, and sanctions are applied for the violation of these requirements and also requirements for all products for which incentive increments to prices are established.

1. General Provisions

1.1. The present methodological instructions establish the policy:

for conducting inspections of the observance of requirements for certification and for the quality of products that are included in the highest category;*

for reducing deductions into the economic incentive fund in the event of the output of products that do not meet the established requirements for which incentive increments to prices have been established; for excluding products from report figures concerning the fulfillment of the plan for products of the highest quality category; the exercising control over the transfer into the budget of rebates from wholesale prices for products of the second quality category and products that have not been certified within the established period of time;

for complaints about decisions of the agencies of the State Committee for Standards concerning the application of sanctions.

1.2. Checks will be made by territorial agencies of the State Committee for Standards at the place of location of the enterprises (associations) that produce products that are included in the highest quality category.

1.3. Orders:

for reducing deductions into the economic incentive fund; for forbidding the inclusion or exclusion of profit from report data concerning the fulfillment of the plan for products of the highest quality category; concerning transferring into the budget rebates from wholesale prices for products of the second quality category and those that have not been certified within the established periods of time

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*Hereafter they will be called "checks."

--are issued by the territorial agencies of the State Committee for Standards at the place of the location of enterprises, organizations and associations where there have been violations of the requirements for certification and for the quality of products for which incentive increments to the wholesale price have been established.

2. The Policy for Conducting Checks on the Observance of Requirements for Certification and the Quality of Products of the Highest Category.

2.1. When planning one must envision annually checking 8-10 percent of the enterprises that produce products that are included in the highest quality category and do not come under comprehensive and group checks, primarily enterprises about which there is information concerning violations of requirements for certification of products and the quality of certified products.

If the enterprise products two or more kinds of products that are included in the highest quality category, the territorial agency of the State Committee for Standards establishes the list of products that are to be checked based on their proportion in the overall volume of production and the existence of complaints from consumers.

2.2. When preparing for and conducting the checks one should be guided by the present methodological instructions and also sections 1, 2 and 4 of the "Instructions for State Supervision of the Introduction and Observance of Standards, Technical Specifications, Size Requirements and the Quality of Products. RDI 110-78."

2.3. The following requirements for the certification and for the quality of products of the highest category which have been established by fundamental and branch documents for certification are subject to being checked.

2.3.1. The existence of a decision of the state certification commission and documents concerning the awarding of the State Emblem of Quality filled out under the established policy.

2.3.2. The correspondence to established requirements of the level of approval and registration of changes to standards and technical specifications for products that are included in the highest quality category if they have been made after certification. One also checks to make sure that indicators of quality have not been lowered in the standards and technical specifications.

2.3.3. The correspondence of the quality of the manufacture of the products and the conditions for its output through the requirements placed on products of the highest quality category.

One discloses the existence of complaints (claims) for the past 12 months* on the basis of forms of the USSR Central Statistical Administration 1-P (Quality) and 1-P (Grade) as well as cases of price lowering and overstocking of products during the past 12 months (from data of trade and sales organizations); one evaluates the degree to which the products correspond to the requirements of standards, technical specifications and other technical documentation; the metrological provisions for its production, the observance of technological discipline and the organization of technical control over the products that are being checked and the keeping of norm-control technical documentation for these products (in keeping with sections 4 RDI 110-78).

2.3.4. The fulfillment of the plan for the production of products that are included in the highest quality category.

Control is exercised by analyzing the fulfillment of the plan for the output of products included in the highest quality category (regularly as USSR Central Statistics Administration forms 11-NT come into the territorial agency of the State Committee for Standards) and checking at enterprises for the fulfillment of the plan (according to data of the enterprises on USSR Central Statistical Administration forms 1-P and 11-NT) for the half year preceding the check.

2.3.5. The correctness of the designation of the product included in the highest quality category for the state Emblem of Quality.

One also checks to make sure that the designation corresponds to the requirements of GOST-1.9-67, the basic document for certification and the scientific and technical documentation under which the products are produced.

2.3.6. The correctness and completeness of state statistical accountability concerning the output of products that are included in the highest quality category. One checks to make sure that the information about the output of products included in the highest quality category on USSR Central Administration forms 11-NT, 5-NT and 1-P for the report period preceding the check corresponds to the actual figures. One also checks on the correctness of including products that are not subject to certification and transferring into the budget rebates from wholesale prices for products of the second quality category and those that are not certified within the established time period.

2.4. The results of the check are formulated with a document, whose formulation, signing, dispatch and storage are provided in keeping with the requirements of RDI 110-78. Section 2 of the document is filled in only when one discovers violations of requirements for certification and the quality of products of the highest category.

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*Here and henceforth one singles out the data for the period of the production of the products after they have been inlucded in the highest quality category if it is less than 12 months.

2.5. When established during the course of the check that there are violations of requirements for certification and the for the quality of the products of the highest quality category, one takes measures and uses other legal means in keeping with RDI 110-78 and the "Methodological Instructions Concerning the Policy for Applying Legal Means When Exercising State Supervision over the Introduction and Observance of Standards."

2.6. When it is established that there are violations of requirements for certification and for quality of products in the highest quality category, for which there can be a reduction of deductions into the economic incentive fund, the products are deprived of the state Emblem of Quality under the policy established by the "General Methodological Instructions. Policy for Certification of Industrial Products. OMU 29-74."

3. The Policy for Reducing Deductions into the Economic Incentive Fund and Excluding Products from Reports on the Fulfillment of the Plan for Products in the Highest Quality Category.

3.1. When it is established that there are violations of requirements for certification and for the quality of products of the highest quality category, the territorial agency of the State Committee for Standards sends an order concerning the reduction of deductions into the economic incentive fund and a bar on including and excluding products from reports concerning the fulfillment of the plan for products of the highest quality category;

to the enterprise;

to the ministry (department) having jurisdiction over the enterprise;

to the local finance agency;

to the city (oblast) statistical administration.

The exclusion of these products from the report figures concerning the output of products of the highest quality category takes place during the period in which the products have been produced with violations of requirements for certification and the quality of products of the highest quality category. The value of the aforementioned products is calculated from reports data concerning the volume of products of the highest quality category in the report for the same month when the territorial agency for the state committee for standards has established that there are violations, from the figures of the report month and report quarter and from the results since the beginning of the year. The sum of the corresponding incentive increment for these products is correspondingly excluded from the report data concerning the volume of sales of products, normative pure output or other indicator of the volume of output from which one evaluates the economic activity of the enterprise and the commercial output in the actual effective wholesale prices, and also when evaluating the fulfillment of the plan for profit.

3.2. When products are deprived of the state Emblem of Quality by the republic administration of the State Committee for Standards, by the State Committee for Standards itself, or by the ministry (department), the territorial agency of the State Committee for Standards, upon receipt of the corresponding decision, issues to the enterprise that manufactures these products an order concerning the reduction of deductions into the economic incentive funds and concerning the exclusion of these products from the report figures on the output of products of the highest quality category, if such an order has not been issued previously.

3.3. The territorial agencies of the State Committee for Standards make a decision concerning reducing deductions into economic incentive funds of the enterprises that manufacture new products for industrial and technical purposes and consumer goods which have incentive increments to the price in the following cases:

when they reveal cases of the sale of products that are manufactured in violation of the standards and technical specifications;

when territorial agencies of the State Committee for Standards or agencies of interdepartmental control prohibit the delivery of products because of their failure to meet standards and technical specifications;

when new kinds of goods are lowered in grade or are produced with deviations from the established model (standard).

3.4. Territorial agencies of the State Committee for Standards make a decision about reducing deductions into the economic incentive funds of the developing organizations in the event that the design documentation has been drawn up with deviations from standards and technical specifications that applied to the given kind of product and the manufacturers of the product have transferred funds into the economic incentive funds of the developer from increments to the wholesale price.

3.5. A decision concerning reducing deductions into the economic incentive fund is make on the document from the check that was conducted by the territorial agency of the State Committee for Standards or the agency of interdepartmental control, and it is filled out under the established policy.

Interdepartmental control agencies send the documents from the check with an accompanying letter which suggests that sanctions be applied against the enterprise, to the territorial agency of the State Committee for Standards in which the region that has been checked operates.

3.6. A reduction of deductions into the economic incentive funds of enterprises that manufacture new products for production-technical purposes and consumer goods is made in the amount of the increment to the price of the product that was deposited in the funds since the beginning of the year in which the violations were discovered. The amount of the reduced deductions is determined on the basis of inquiries from the enterprise.

3.7. A reduction of the deductions into the economic incentive fund of the developing organizations is made in the amount they obtained from the manufactures of the products through increments to wholesale prices for new kinds of products. The amount by which the deductions are reduced is determined on the basis of an inquiry of the organization.

3.8. The sum withdrawn from the economic incentive funds is transferred by the enterprise (organization) into the income of the corresponding budget, depending on the jurisdiction of the enterprise (organization) under the policy established by the USSR Ministry of Finance.

3.9. An order for the reduction of deductions into the economic incentive funds is sent:

to the enterprise (organization);

to the ministry or department having jurisdiction over the enterprise (organization);

to the local finance agency at the place where the enterprise is located;

to the republic administration of the State Committee for Standards.

3.10. Along with the adoption of a decision concerning a reduction in the deductions into the economic incentive funds, territorial agencies of the State Committee for Standards send proposals for removing increments to prices to the republic administrations of the State Committee for Standards.

The republic administrations of the State Committee for Standards send the proposals concerning the removal of increments to prices to the agencies that have set the prices.

4. Control Over the Transfer Into the Budget of Rebates from Wholesale Prices for Products of the Second Quality Category and Those Not Certified Within the Established Time Period

4.1. Transfer into the budget income of the sum of rebates from wholesale prices for products of the second quality category and those that are not certified within the established time period is done in keeping with the "Instructions on the Policy for Establishing Incentive Increments to Wholesale Prices for Highly Effective New Products for Industrial and Technical Purposes and Rebates from Wholesale Prices for Products of the Second

Quality Category and Also for Products Which are Not Certified Within the Established Period," which was approved by a decree of the USSR State Committee for Prices of 26 November 1979, No. 752.

4.2. Territorial agencies of the State Committee for Standards exercise control over the transfer of rebates from wholesale prices into the budget income when implementing state supervision over the introduction and observance of standards.

4.3. When a territorial agency of the State Committee for Standards establishes that the sums of rebates have not been transferred into the budget income or have not been fully transferred, it issues the enterprise an "Order for Transferring Rebates from Wholesale Prices into the Budget Income." The order is sent to the local finance agency and the division for prices of the council of ministers of the autonomous republic (kray-obl-gorispolkom).

The sum of the rebates is determined in keeping with the instructions by the decree of the USSR State Committee for Prices of 27 November 1979, No. 752.

5. The Policy for Protesting Decisions of Agencies of the State Committee for Standards Concerning the Application of Sanctions

5.1. The ministries (departments) having jurisdiction over the enterprise to which the sanctions envisioned by the present methodological instructions are applied have the right to protest the order of the territorial agency of the State Committee for Standards within two weeks after it is issued.

5.2. A letter with a substantiated request to abolish the order, signed by the manager of the ministry (department), is sent to the republic administration of the State Committee for Standards. The inspection document and the order are appended to the order.

5.3. The republic administration adopts a decision regarding the letter of the ministry (deparment) within no more than one month and gives notification of it.

5.4. The ministry (department) has the right to protest the decision of the republic administration within a week after receiving the letter from the republic administration.

5.5. The letter with the substantiated request to abolish the decision of the republic administration, signed by the manager of the ministry (department) is sent to the State Committee for Standards. To the letter is appended the document of inspection, the order issued by the territorial agency and the letter of the republic administration.

5.6. The State Committee for Standards within no more than a month makes a decision regarding the letter of the ministry (department) and gives notification of it.

5.7. On the basis of the decision of the republic administration or the State Committee for Standards concerning abolishing the orders issued by the territorial agency, corrections are made in the accounts of the enterprises concerning the fulfillment of the plan for products in the highest category and the economic incentive funds are restored under the established policy.

5.8. A protest of the orders of territorial agencies do not revoke them or release the enterprise (organization) from the need to deposit into the budget income the sums that have been obtained from incentive increments to prices.

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